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ABSTRACT

This Congressional report provides testimony addressing the following two House bills: HR 2389 which restores stability and predictability to the annual payments made to States and counties containing National Forest System lands and public domain lands managed by the Bureau of Land Management for use by the counties of the benefit of public schools, roads, and other purposes; and HR 1185 which modifies the requirements for paying Federal timber sale receipts. Prepared statements are provided from William N. Dennison, Supervisor, District 3, Plumas County, California; Mike Dombeck, Chief of the U.S. Forest Service; Robert E. Douglas, Tehema County Superintendent of Schools, Red Bluff, California; Bobby Green, Chairman, Lane County Board of Commissioners, Eugene, Oregon; and Glen Spain, Pacific Coast Federation of Fisherman's Associations. Complete texts of both bills are included. (GR)

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H.R. 2389, COUNTY SCHOOLS REVITALIZATION ACT OF 1999 AND H.R. 1185, TIMBER-DEPENDENT COUNTIES STABILIZATION ACT

ED 445 492

HEARING

BEFORE THE

SUBCOMMITTEE ON FORESTS AND FOREST HEALTH

OF THE

COMMITTEE ON RESOURCES
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

JULY 13, 1999, WASHINGTON, DC

Serial No. 106–45

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HEARING ON H.R. 2389, COUNTY SCHOOLS REVITALIZATION ACT OF 1999 AND H.R. 1185, TIMBER-DEPENDENT COUNTIES STABILIZATION ACT

TUESDAY, JULY 13, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FORESTS,
AND FOREST HEALTH,
COMMITTEE ON RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to call, at 2 p.m. in Room 1334, Longworth House Office Building, Hon. Rick Hill presiding.

Mr. HILL. [presiding] The Subcommittee on Forest and Forest Health will come to order. The Subcommittee is meeting today to hear testimony on H.R. 1185, the Timber-Dependent Counties Stabilization Act, and H.R. 2389, the County Schools Revitalization Act of 1999.

[The information follows:]

I

106TH CONGRESS
1ST SESSION

H. R. 1185

To modify the requirements for paying Federal timber sale receipts.

IN THE HOUSE OF REPRESENTATIVES

MARCH 18, 1999

Mr. DEFAZIO introduced the following bill; which was referred to the Committee on Agriculture, and in addition to the Committee on Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

A BILL

To modify the requirements for paying Federal timber sale receipts.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Timber-Dependent Counties Stabilization Act of 1999".

SEC. 2. SHARING OF FOREST SERVICE TIMBER SALE RECEIPTS.

(a) PAYMENTS.—

(1) FISCAL YEARS 2000 THROUGH 2004.—In lieu of making the 25-percent payments to States for each of fiscal years 2000 through 2004, the Secretary of the Treasury shall pay to each State that is otherwise eligible to receive those payments the special payment amount determined for that State.

(2) FISCAL YEARS AFTER FISCAL YEAR 2004.—

(A) IN GENERAL.—For each fiscal year after fiscal year 2004, the Secretary of the Treasury shall pay to each State that is otherwise eligible for the 25-percent payments to States, as elected by the State, either—

(i) the special payment amount determined for that State, in lieu of the 25-percent payments to States otherwise applicable for that State; or

(ii) the 25-percent payments to States applicable for that State.

(B) ELECTION.—The election under subparagraph (A) shall be made by the Governor of a State only once, for all fiscal years after fiscal year 2004, by not later than 5 years after the date of the enactment of this Act. If the Governor of a State fails to make the election by that date, the State is deemed to have elect-

ed the payment described in subparagraph (A)(i) for all fiscal years after fiscal year 2004.

(3) EXPENDITURE BY STATES.—Amounts paid to a State under this subsection shall be expended by the State in the same manner in which 25-percent payments to States are required to be expended.

(b) DEFINITIONS.—As used in this section:

(1) 25-PERCENT PAYMENTS TO STATES.—The term "25-percent payments to States" means the 25-percent payments authorized by the Act of May 23, 1908 (35 Stat. 260, chapter 192; 16 U.S.C. 500) for the benefit of counties in which national forests are situated, as in effect immediately before the date of the enactment of this section.

(2) SPECIAL PAYMENT AMOUNT.—The term "special payment amount" means, for a State, the amount equal to—

(A) 76 percent, multiplied by

(B) the amount equal to—

(i) the total amount of 25-percent payments to States made to the State for the 3 fiscal years (whether or not consecutive) for which those payments were the highest in the pe-

riod beginning October 1, 1985, and ending September 30, 1995, divided by

(ii) 3.

The amount described in this paragraph shall be adjusted to reflect changes in the consumer price index for urban areas (as published by the Bureau of Labor Statistics) that occur after publication of that index for fiscal year 2004.

SEC. 3. SHARING OF BUREAU OF LAND MANAGEMENT TIMBER SALE RECEIPTS.

(a) PAYMENTS.—

(1) FISCAL YEARS 2000 THROUGH 2004.—In lieu of making the 50-percent payments to counties for each of fiscal years 2000 through 2004, the Secretary of the Treasury shall pay to each county that is otherwise eligible to receive those payments the special payment amount determined for that county.

(2) FISCAL YEARS AFTER FISCAL YEAR 2004.—

(A) IN GENERAL.—For each fiscal year after fiscal year 2004, the Secretary of the Treasury shall pay to each county that is otherwise eligible to receive the 50-percent payments to counties, as elected by the county, either—

(i) the special payment amount, in lieu of the 50-percent payments to counties otherwise applicable and allocable to that county; or

(ii) the share of the 50-percent payments to counties otherwise applicable and allocable to the county.

(B) ELECTION.—The election under subparagraph (A) shall be made by the chief executive officer of a county only once, for all fiscal years after fiscal year 2004, by not later than 5 years after the date of the enactment of this Act. If the chief executive officer of a county fails to make the election by that date, the county is deemed to have elected the payment described in subparagraph (A)(i) for all fiscal years after fiscal year 2004.

(b) DEFINITIONS.—As used in this section:

(1) 50-PERCENT PAYMENTS TO COUNTIES.—The term "50-percent payments to counties" means the sum of the 50-percent share otherwise paid to a county pursuant to title II of the Act of August 28, 1937 (50 Stat. 875, chapter 876; 43 U.S.C. 1181f), and the payments made to counties pursuant to the Act of May 24, 1939 (53 Stat. 753, chapter 144; 43

U.S.C. 1181f–1 et seq.), as in effect immediately before the date of the enactment of this section.

(2) SPECIAL PAYMENT AMOUNT.—The term "special payment amount" means the amount equal to—

(A) 76 percent, multiplied by

(B) the amount equal to—

(i) the total amount of 50-percent payments to counties made to the county for the 3 fiscal years (whether or not consecutive) for which those payments were the highest in the period beginning October 1, 1985, and ending September 30, 1995, divided by

(ii) 3.

The amount described in this paragraph shall be adjusted to reflect changes in the consumer price index for urban areas (as published by the Bureau of Labor Statistics) that occur after publication of that index for fiscal year 2004.

SEC. 4. CONFORMING AMENDMENT.

Title XIII of the Omnibus Budget Reconciliation Act of 1993 (Public Law 103–66) is amended by striking chapter 4 (107 Stat. 681–682).

○

I

106TH CONGRESS
1ST SESSION

H. R. 2389

To restore stability and predictability to the annual payments made to States and counties containing National Forest System lands and public domain lands managed by the Bureau of Land Management for use by the counties for the benefit of public schools, roads, and other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 30, 1999

Mr. DEAL of Georgia (for himself, Mr. BOYD, Ms. DUNN, Mr. TURNER, Mr. PETERSON of Pennsylvania, and Mr. THOMPSON of California) introduced the following bill; which was referred to the Committee on Agriculture, and in addition to the Committee on Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

A BILL

To restore stability and predictability to the annual payments made to States and counties containing National Forest System lands and public domain lands managed by the Bureau of Land Management for use by the counties for the benefit of public schools, roads, and other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "County Schools Funding Revitalization Act of 1999".

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Findings and purpose.
Sec. 3. Definitions.
Sec. 4. Determination of full payment amount for eligible States and counties.
Sec. 5. Forest Service payments to eligible States for affected counties to use for public education and transportation.
Sec. 6. Bureau of Land Management payments to eligible counties to use for the benefit of public safety, law enforcement, and other public purposes.
Sec. 7. Development of long-term methods to meet statutory obligation of Federal lands to contribute to public education and other public services.
Sec. 8. Sense of Congress regarding Advisory Committee recommendations.
Sec. 9. Authorization of appropriations.
Sec. 10. Conforming amendments.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds the following:

(1) The National Forest System, which is managed by the United States Forest Service, was established in 1907 and has grown to include 192,000,000 acres of Federal lands.

(2) The public domain lands known as revested Oregon and California Railroad grant lands and the reconveyed Coos Bay Wagon Road grant lands, which are managed predominantly by the Bureau of Land Management were returned to Federal ownership in 1916 and 1919 and now comprise approximately 2,600,000 acres of Federal lands.

(3) Congress recognized that, by securing these lands in Federal ownership, the counties in which these lands were situated would be deprived of revenues they would otherwise receive if the lands were held in private ownership.

(4) Even without such revenues, these same counties have expended public funds year after year to provide services, such as education, road construction and maintenance, search and rescue, law enforcement, waste removal, and fire protection, that directly benefit these Federal lands and people who use these lands.

(5) To accord a measure of compensation to the affected counties for their loss of future revenues and for the critical services they provide, Congress determined that the Federal Government should share with these counties a portion of the revenues the United States receives from these Federal lands.

(6) Congress enacted in 1908 and subsequently amended a law that requires 25 percent of the revenues derived from National Forest System lands be paid to States for use by the counties in which the lands are situated for the benefit of public schools and roads.

(7) Congress enacted in 1937 and subsequently amended a law that requires 50 percent of the revenues derived from the revested and reconveyed grant lands be paid to the counties in which those lands are situated to be used as are other county funds.

(8) For several decades during the dramatic growth of the American economy, counties dependent on and supportive of the Federal lands received and relied on increasing shares of these revenues to provide educational opportunities for the children of residents of these counties.

(9) In recent years, the principal source of these revenues, Federal timber sales, has been sharply curtailed and, as the volume of timber sold annually from most of the Federal lands has decreased precipitously, so too have the revenues shared with the affected counties.

(10) This decline in shared revenues has severely impacted or crippled educational funding in, and the quality of education provided by, the affected counties.

(11) In the Omnibus Budget Reconciliation Act of 1993, Congress recognized this trend and ameliorated its adverse consequences by providing an alternative annual safety net payment to 72 counties in

Oregon, Washington, and northern California in which Federal timber sales had been restricted or prohibited by administrative and judicial decisions to protect the northern spotted owl.

(12) The authority for these particular safety net payments is expiring and no comparable authority has been granted for alternative payments to counties elsewhere in the United States that have suffered similar losses in shared revenues from the Federal lands and in the educational funding those revenues provide.

(13) Although such alternative payments are not an adequate substitute for the revenues, wages, purchasing of local goods and services, and social opportunities that are generated when the Federal lands are managed in a manner that encourages revenue-producing activities, they are critically needed now to stabilize educational funding in the affected counties.

(b) PURPOSES.—The purposes of this Act are—

(1) to arrest the decline in, and stabilize, the revenues derived from National Forest System lands and revested and reconveyed grant lands that the Federal Government shares with counties in which these Federal lands are situated;

(2) to assist the local governments that are so dependent on and supportive of the Federal lands to restore the quality of education that they were able to provide to the children of residents of these counties before the recent severe reductions in or curtailments of revenue-producing activities on those lands;

(3) to provide this temporary relief in a form that will neither encourage the long-term reliance on appropriations, nor discourage the management of the Federal lands in a manner that will generate revenues, to meet the Federal Government's statutory obligations to the counties that contain these lands; and

(4) to facilitate the development by the Federal Government and the counties and school districts which benefit from the shared Federal land revenues of a long-term method to generate payments to States and counties that would avoid the need to provide further temporary relief.

SEC. 3. DEFINITIONS.

In this Act:

(1) FEDERAL LANDS.—The term "Federal Lands" means—

(A) lands within the National Forest System, as defined in section 11(a) of the Forest

and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1609(a)); and

(B) the Oregon and California Railroad grant lands revested in the United States by the Act of June 9, 1916 (Chapter 137; 39 Stat. 218), Coos Bay Wagon Road grant lands reconveyed to the United States by the Act of February 26, 1919 (Chapter 47; 40 Stat. 1179), and subsequent additions to such lands.

(2) ADVISORY COMMITTEE.—The term "Advisory Committee" means the Forest Counties Payments Committee established by section ____.

(3) ELIGIBILITY PERIOD.—The term "eligibility period" means the period beginning on October 1, 1985, and ending on September 30, 1999.

(4) ELIGIBLE COUNTY.—The term "eligible county" means a county that received one or more 50-percent payments during the eligibility period.

(5) ELIGIBLE STATE.—The term "eligible State" means a State that received one or more 25-percent payments during the eligibility period.

(6) FULL PAYMENT AMOUNT.—The term "full payment amount" means the amount calculated for each eligible State and eligible county under section 4.

(7) 25-PERCENT PAYMENTS.—The term "25-percent payments" means the payments to States required by the 6th paragraph under the heading of "FOREST SERVICE" in the Act of May 23, 1908 (35 Stat. 260; 16 U.S.C. 500), and section 13 of the Act of March 1, 1911 (36 Stat. 963; 16 U.S.C. 500).

(8) 50-PERCENT PAYMENTS.—The term "50-percent payments" means the payments that are the sum of the 50-percent share otherwise paid to a county pursuant to title II of the Act of August 28, 1937 (Chapter 876; 50 Stat. 875; 43 U.S.C. 1181f), and the payment made to a county pursuant to the Act of May 24, 1939 (chapter 144; 53 Stat. 753; 43 U.S.C. 1181f-1 et seq.).

(9) SAFETY NET PAYMENTS.—The term "safety net payments" means the payments to States and counties required by sections 13982 and 13983 of the Omnibus Budget Reconciliation Act of 1993 (Public Law 103–66; 16 U.S.C. 500 note; 43 U.S.C. 1181f note).

SEC. 4. DETERMINATION OF FULL PAYMENT AMOUNT FOR ELIGIBLE STATES AND COUNTIES.

(a) CALCULATION REQUIRED.—The Secretary of the Treasury shall calculate for each eligible State and eligible

county an amount equal to the average of the three highest 25-percent payments, 50-percent payments, or safety net payments made to that eligible State or eligible county during the eligibility period.

(b) ANNUAL ADJUSTMENT.—For the second and each subsequent fiscal year in which payments are required to be made to eligible States and eligible counties under this Act, the Secretary of the Treasury shall adjust the full payment amount in effect for the previous fiscal year for each eligible State and eligible county to reflect changes in the consumer price index for urban areas (as published in the Bureau of Labor Statistics) that occur after publication of that index for fiscal year 1999.

SEC. 5. FOREST SERVICE PAYMENTS TO ELIGIBLE STATES FOR AFFECTED COUNTIES TO USE FOR PUBLIC EDUCATION AND TRANSPORTATION.

(a) REQUIREMENT FOR PAYMENTS TO ELIGIBLE STATES.—The Secretary of the Treasury shall make a payment to each eligible State in accordance with subsection (b) as early as practicable in each of fiscal years 2000 through 2005.

(b) PAYMENT AMOUNTS.—Each payment to an eligible State under subsection (a) shall consist of the following:

(1) The amount of the 25-percent payments applicable to that State.

(2) If the amount under paragraph (1) is less than the full payment amount for that State, such additional funds as are necessary to provide a total payment equal to the full payment amount.

(c) EXPENDITURE OF PAYMENTS.—Eligible States shall distribute and expend the payments received under subsection (a) in the same manner in which the 25-percent payments are required to be distributed and expended.

(d) SOURCE OF ADDITIONAL PAYMENT AMOUNTS.—Funds necessary to make the payment required by subsection (b)(2), shall be derived, as determined by the Secretary of Agriculture, from any revenues received by the United States from activities on the Federal lands described in section 3(1)(A), funds appropriated for the Forest Service, or both sources, except—

(1) programs from which the 25-percent payments are derived and funds which, if paid to eligible States, would contribute to a reduction in such revenues; and

(2) funds from trust or other special accounts established by statute for use by the Forest Service for specified purposes.

SEC. 6. BUREAU OF LAND MANAGEMENT PAYMENTS TO ELIGIBLE COUNTIES TO USE FOR THE BENEFIT OF PUBLIC SAFETY, LAW ENFORCEMENT, AND OTHER PUBLIC PURPOSES.

(a) REQUIREMENT FOR PAYMENTS TO ELIGIBLE COUNTIES.—The Secretary of the Treasury shall make a payment to each eligible county in accordance with subsection (b) as early as practicable in each of fiscal years 2000 through 2005.

(b) PAYMENT AMOUNTS.—Each payment to an eligible county under subsection (a) shall consist of the following:

(1) The amount of the 50-percent payments applicable to that county.

(2) If the amount under paragraph (1) is less than the full payment amount for that county, such additional funds as are necessary to provide a total payment equal to the full payment amount.

(c) EXPENDITURE OF PAYMENTS.—Eligible counties shall distribute and expend the payments received under subsection (a) in the same manner in which the 50-percent payments are required to be distributed and expended.

(d) SOURCE OF ADDITIONAL PAYMENT AMOUNTS.—Funds necessary to make the payment required by subsection (b)(2), shall be derived, as determined by the Secretary of the Interior, from any revenues received by the

United States from activities on the Federal lands described in section 3(1)(B), funds appropriated for the Bureau of Land Management, or both, except—

(1) programs from which the 50-percent payments are derived and funds, which, if paid to eligible counties, would contribute to a reduction in such revenues; and

(2) funds from trust or other special accounts established by statute for use by the Bureau of Land Management for specified purposes.

SEC. 7. DEVELOPMENT OF LONG-TERM METHODS TO MEET STATUTORY OBLIGATION OF FEDERAL LANDS TO CONTRIBUTE TO PUBLIC EDUCATION AND OTHER PUBLIC SERVICES.

(a) FOREST COUNTIES PAYMENTS COMMITTEE.—There is hereby established an advisory committee, to be known as the Forest Counties Payments Committee, to develop recommendations regarding methods to ensure that States and counties in which Federal Lands are situated receive adequate Federal payments to be used for the benefit of public education and other public purposes.

(b) MEMBERS.—The Advisory Committee shall be composed of the following members:

(1) The Chief of the Forest Service, or the Chief's designee.

(2) The Director of the Bureau of Land Management, or the Director's designee.

(3) The Director of the Office of Management and Budget, or the Director's designee.

(4) Two members who are elected members of the governing branches of eligible counties, one appointed by the President pro tempore of the Senate and one appointed by the Speaker of the House of Representatives within 60 days of the date of enactment of this Act.

(5) Two members who are elected members of school boards for, or superintendents from, school districts in eligible counties, one appointed by the President pro tempore of the Senate and 1 appointed by the Speaker of the House of Representatives within 60 days of the date of enactment of this Act.

(c) ADVISORY COMMITTEE FUNCTIONS.—

(1) DEVELOPMENT OF RECOMMENDATIONS.—The Advisory Committee shall develop recommendations for policy or legislative initiatives, or both, to substitute for the short-term payments required by this Act a long-term method to generate annual payments to eligible States and eligible counties at or above the full payment amount. Not later than two

years after the date of the enactment of this Act, the Advisory Committee shall submit to the Committee on Agriculture, the Committee on Resources, and the Committee on Appropriations of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry, the Committee on Energy and Natural Resources, and the Committee on Appropriations of Senate a report containing the recommendations developed under this paragraph.

(2) GUIDANCE.—In developing the recommendations required by paragraph (1), the Advisory Committee shall—

(A) seek to maximize the amount of such payments contributed by revenues collected from the Federal lands, so as to minimize adverse budgetary effects and to generate the additional revenues, wages, purchases of goods and services, and other economic benefits to and for such States and counties; and

(B) ensure that the method is in accord with a definition of sustainable forest management in which ecological, economic, and social factors are accorded equal consideration in the management of the Federal lands.

(3) MONITORING ACTIVITIES.—The Advisory Committee shall monitor the payments made to eligible States and eligible countries pursuant to this Act and submit to the congressional committees specified in paragraph (1) an annual report describing the amounts and sources of such payments and containing such comments as the Advisory Committee may have regarding such payments.

(4) TESTIMONY.—The Advisory Committee shall make itself available for testimony or comments on the report required by paragraph (1) and its recommendations, and on any legislation or regulations to implement the recommendations, in any congressional hearings or any rulemaking or other administrative decision process.

(d) ORGANIZATION OF ADVISORY COMMITTEE.—

(1) CHAIRPERSON.—The Chairperson of the Advisory Committee shall be selected from among the members appointed pursuant to paragraphs (4) and (5) of subsection (b).

(2) VACANCIES.—Any vacancy in the membership of the Advisory Committee shall be filled in the same manner as required by subsection (b). A vacancy shall not impair the right of the remaining

members to perform the functions authorized by subsection (c).

(3) COMPENSATION.—The members of the Advisory Committee who are not officers or employees of the United States, while attending meetings or other events held by the Advisory Committee or at which the members serve as representatives of the Advisory Committee or while otherwise serving at the request of the Chairperson, shall each be entitled to receive compensation at a rate not in excess of the maximum rate of pay for grade GS–18, as provided in the General Schedule under section 5532 of title 5, United States Code, including traveltime, and while away from their homes or regular places of business shall each be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by section 5703 of title 5, United States Code, for persons in Government service employed intermittently.

(e) STAFF AND RULES.—

(1) EXECUTIVE DIRECTOR.—The Advisory Committee shall have an Executive Director, who shall be appointed (without regard to the provisions of title 5, United States Code, governing appointments in the competitive service) by the Advisory

Committee and serve at the pleasure of the Advisory Committee. The Executive Director shall report to the Advisory Committee and assume such duties as the Advisory Committee may assign. The Executive Director shall be paid at a rate of pay for grade GS–18, as provided in the General Schedule under 5332 of title 5, United States Code.

(2) OTHER STAFF.—In addition to authority to appoint personnel subject to the provisions of title 5, United States Code, governing appointments to the competitive service, and to pay such personnel in accordance with the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, the Advisory Committee shall have authority to enter into contracts with private or public organizations which may furnish the Advisory Committee with such administrative and technical personnel as may be necessary to carry out the functions authorized by subsection (c).

(3) COMMITTEE RULES.—The Advisory Committee may establish such procedural and administrative rules as are necessary for the performance of the functions authorized by subsection (c).

(f) FEDERAL AGENCY COOPERATION.—The heads of the departments, agencies, and instrumentalities of the executive branch of the Federal Government shall cooperate with the Advisory Committee in the performance of its functions under subsection (c) and shall furnish to the Advisory Committee information which the Advisory Committee deems necessary to carry out such functions.

(g) COMMITTEE TERMINATION.—The Advisory Committee shall terminate three years after the date of the enactment of this Act.

SEC. 8. SENSE OF CONGRESS REGARDING ADVISORY COMMITTEE RECOMMENDATIONS.

It is the sense of Congress that the payments to eligible States and eligible counties required by this Act should be replaced by a long-term solution to generate payments conforming to the guidance provided by section 7(c)(2) and that any promulgation of regulations or enactment of legislation to establish such method should be completed within two years after the date of submission of the report required by section 7(c)(1).

SEC. 9. AUTHORIZATION OF APPROPRIATIONS.

There are hereby authorized to be appropriated such sums as are necessary to carry out this Act.

SEC. 10. CONFORMING AMENDMENTS.

(a) REPEAL OF SAFETY NET PAYMENTS.—Sections 13982 and 13983 of the Omnibus Budget Reconciliation Act of 1993 (Public Law 103–66; 16 U.S.C. 500 note; 43 U.S.C. 1181f note) are repealed.

(b) PAYMENTS FOR ENTITLEMENT LAND.—Section 6903(a)(1) of title 31, United States Code, is amended—

(1) by redesignating subparagraphs (D) through (J) as subparagraphs (E) through (K), respectively; and

(2) by inserting after subparagraph (C) the following new subparagraph:

"(D) the County Schools Funding Revitalization Act of 1999;".

○

Mr. HILL. Under rule 4G of the Committee rules, any oral opening statements at the hearing are limited to the chairman or Ranking Minority Member which will allow us to hear from the witnesses sooner and allow Members to keep their schedules. Therefore, if any other Members have statements, they can be included in the hearing record under unanimous consent.

STATEMENT OF HON. RICK HILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Since 1908, counties and school systems adjacent to the national forests have received 25 percent of the gross receipts from the management of these lands. These payments were established to compensate communities for the lack of taxes that would have otherwise been generated had the lands been in private ownership.

A similar program compensates counties by 50 percent of the gross receipts from the BLM managed O&C lands. The bulk of the funds for these two programs came from the sale of Federal timber. As the volume of timber sales began to fall on national forest and BLM lands in the late 1980s, so did the amount of these payments, leaving many rural communities in severe economic straits. What is at stake now is the education and welfare of our children.

One approach, offered by Representative DeFazio, H.R. 1185, and comparable to the administration proposal would lead to the decoupling of payments from receipts. The other approach, H.R. 2389, maintains a linkage between payments and economic activities, recognizing the importance of jobs to local communities.

This second approach was developed by a remarkable grassroots coalition of over 500 organizations in 32 States, called the National Forest Counties and Schools Coalition. Based on a set of principles established by this group, our colleagues, Mr. Allen Boyd of Florida, and Nathan Deal of Georgia, developed legislation that would create a safety net of payments to counties in the short term and at the same time create a committee to develop long-term solutions.

[The prepared statement of Mr. Hill follows:]

STATEMENT OF HON. RICK HILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Today's hearing will examine two different legislative approaches to resolving the issue of payments to county schools.

Since 1908, counties and school systems adjacent to national forests have received 25 percent of the gross receipts from the management of these lands. These payments were established to compensate communities for the lack of taxes that would have otherwise been generated had the lands been in private ownership. A similar program compensates counties by 50 percent of the gross receipts from BLM managed O&C lands. The bulk of the funds for these two programs came from the sale of Federal timber. As the volume of timber sales began to fall on national forest and BLM lands in the late 1980's, so did the amount of these payments, leaving many rural communities in severe economic straits. What's at stake now is the education and welfare of our children.

One approach, offered by Rep. DeFazio, H.R. 1185, and comparable to the Administration proposal would lead to the "decoupling" of payments from receipts. The other approach, H.R. 2389, maintains a linkage between payments and economic activities, recognizing the importance of jobs to local communities. This second approach was developed by a remarkable grassroots coalition of over 500 organizations in 32 states, called The National Forest Counties and Schools Coalition. Based on a set of principles established by this group, our colleagues, Mr. Allen Boyd of Florida and Nathan Deal of Georgia, developed legislation that would create a safety net of payments to counties in the short-term and at the same time create a committee to develop long-term solutions.

To present his bipartisan bill I would like to first introduce Allen Boyd for his testimony on H.R. 2389. I would also like to thank both he and Mr. Deal for all their hard work with the National Forest Counties and Schools Coalition in formulating this consensus legislation.

Mr. HILL. To present his bipartisan bill, I would like to first introduce Allen Boyd for his testimony on H.R. 2389. I would also like to thank both he and Mr. Deal for all their hard work with the National Forest Counties and Schools Coalition in formulating this consensus legislation.

Mr. HILL. The Chairman would now recognize the Ranking Minority Member for any statement he might have.

Mr. SMITH. I will save my comments for questions to witnesses.

Mr. HILL. We will introduce Mr. Allen Boyd from Florida. You are recognized.

STATEMENT OF HON. ALLEN BOYD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. BOYD. Thank you very much, Mr. Chairman and Congressman Smith, Ranking Member. First of all I want to thank you, Mr. Chairman, and the other members of the Subcommittee for allowing me the privilege of testifying before you about H.R. 2389, the County Schools Funding Revitalization Act of 1999.

You have a written statement before you, and I want to briefly summarize that in a short oral statement and then will be glad to take your questions. The issue of forest revenue payments by the Federal Government to local affected communities is very important to a large portion of the Second Congressional District of Florida. The Second Congressional District is a very rural district which encompasses 19 counties and two national forests, the Apalachicola and the Osceola in the Florida panhandle. In fact, I have been working on this issue since the time I served in the Florida state legislature. I hope that this hearing will serve as a springboard for Congress to finally address and solve these issues that adversely effect so many communities across this Nation.

As you stated, Mr. Chairman, in 1908 the Federal Government entered into a compact with rural forest communities in which the government was the dominant landowner. Under this compact, counties received 25 percent of the revenues generated from Federal forest lands to compensate them for a diminished tax base. By law, these revenues financed public schools and local road infrastructure. However, in recent years, the principal source of these revenues, Federal timber sales, has been sharply curtailed due to changes in Federal forest management policy, and those revenues, shared with States and counties have declined significantly.

If you would look at Exhibit 1 which is before you here, perhaps the most significant thing about these changes in policy is not the decline in harvest but rather the fact that in 1998, the net annual growth of timber in the Apalachicola National Forest was about 800 percent greater than the volume harvested. And the sawtimber growth is approximately 50 times greater than the volume harvested. I will say again, the annual growth in the Apalachicola National Forest total volume is 8 times that which was harvested and the sawtimber was 50 times that which was harvested.

As we know, payments to many counties have dropped to less than 10 percent of their historic levels under this compact, and this impact on rural communities and schools has been staggering.

If you look at the next exhibit, Exhibit 2, the returns to the four counties of the Apalachicola National Forest dropped 89 percent. This decline in sheer revenues has severely impacted or crippled educational funding, the quality of education provided, and the services offered in those affected counties.

Since my time is limited, I will not detail all of the various painful cuts incurred by our counties and schools, but I hope that you will read the written testimony which is more specific in this area.

I do want to outline two very specific areas that have happened in Liberty County, Florida, which is the county that contains more of the Apalachicola National Forest than any other.

First, let us talk about a county obligation and that is the county emergency response organization. Liberty County in Florida is the only county that does not have an advanced life support system for its county emergency response organization. That is a basic when you talk about rural counties where hospitals in many cases are a hundred miles away. We don't have an advanced life support system in that county for its citizens.

The second area and probably the most far reaching and devastating impact is the adverse effect on the future of our children. When I was in the legislature in the late eighties, we established in the State of Florida a prekindergarten program which we considered as a very critical part of dealing with some of the problems that we had in our schools. That has been an enormous success in the State of Florida.

That program actually was a mandatory program in Florida. In the last couple of years as we have done what we call accountability decentralization of our educational system, we have allowed the local governments to make decisions about those kinds of programs. In Liberty County, which was the first county in the State to enroll all of its eligible pre-K students, the school system in the last 3 years has totally eliminated that program. It is really sad. An education system crippled by such severe funding cuts cannot train the young people in the skills needed to join tomorrow's society as contributing, productive, and tax-paying citizens.

It is very clear to me that the compact of 1908 is broken and needs to be fixed immediately. That is why I, along with my colleague, Nathan Deal, have introduced the County Schools Funding Revitalization Act of 1999. This legislation is based on principles that were part of a compromise agreement reached by the National Forest Counties and Schools Coalition. It was not developed by a Washington knows best top-down approach, but rather through a bottom-up approach that has finally reached a consensus. This coalition includes over 500 groups from approximately 32 States, including school superintendents, county commissioners, educators, the National Education Association, and the U.S. Chamber of Commerce.

This bill contains two provisions. First, it would restore stability to the 25 percent payment of the compact by ensuring a predictable payment level to the Federal forest communities for an interim 5-year period. This payment program would be based on the average

of the three highest payments received by a State in fiscal years from 1985 until the time this bill is enacted. This is obviously a necessary step to arrest the current destructive downward spiral.

Secondly, the bill requires the Federal Government to collaborate with the local communities and school representatives as part of the Forest Counties Payment Committee to develop a permanent solution that will fix the 1908 compact for the long term.

In closing, Mr. Chairman, the Federal Government must fulfill the promise made to these communities in 1908. Together we can fix the compact and restore long-term stability to our rural schools and government and the families that depend on them.

Mr. Chairman, I thank you for the opportunity to come before you and am prepared to answer any questions you might have.

[The prepared statement of Mr. Boyd follows:]

STATEMENT OF HON. ALLEN BOYD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Madam Chairman, first of all, I want to thank you and the other members of this Subcommittee for allowing me the privilege of testifying before you about H.R. 2389, the County Schools Funding Revitalization Act of 1999. The issue of forest revenue payments by the Federal Government to local affected communities is very important to a large portion of my Congressional district, which is a very rural district that encompasses 19 counties in the Florida panhandle. In fact, I have been working on this issue since the time I was serving in the Florida State Legislature. I hope this hearing is the springboard to having Congress finally address and solve this issue that affects communities in so many adverse ways.

The Second Congressional District, which I have the honor of representing in the House, is located in the panhandle of the state, running from Panama City in the west to the middle of the Osceola National Forest in the east. It has the entire Apalachicola National Forest within its borders and also encompasses part of the Osceola National Forest. The district has over 760,000 acres of national forestland.

Background

In 1908, the Federal Government recognized that counties with Federal lands were at an economic disadvantage since the Federal Government was the dominant landowner in many of these communities and therefore these counties were powerless to tax these lands. Recognizing this, Congress entered into a compact with rural forest communities in which 25 percent of the revenues from National Forests would be paid to the states for impacted counties in compensation for their diminished local property tax base. By law, these revenues finance rural public schools and local road infrastructure. As one can imagine, these counties relied heavily on this revenue for education and infrastructure.

However, in recent years, the principal source of these revenues, Federal timber sales, has been sharply curtailed due to changes in Federal forest management policy, and those revenues shared with states and counties have declined precipitously. Payments to many counties have dropped to less than 10 percent of their historic levels under this compact. This impact on rural communities and schools has been staggering. The decline in shared revenues has severely impacted or crippled educational funding, and the quality of education provided, in the affected counties. Many schools have been forced to lay off teachers, bus drivers, nurses, and other employees; postpone badly needed building repairs and other capital expenditures; eliminate lunch programs; and curtail extracurricular activities.

Rural communities have also suffered from severe economic downturns causing high unemployment, domestic violence, substance abuse, and family dislocation. They are finding it difficult to recruit new business and to meet the demands of health and social issues associated with the displacement and unemployment. Finally, local county budgets have also been badly strained that communities have been forced to cut funding for social programs and local infrastructure to offset lost 25 percent payment revenues.

In 1993, the Congress enacted a law which provided an alternative annual safety net payment system for 72 counties in the northwest region of the country, where Federal timber sales had been restricted or prohibited to protect the northern spotted owl. This authority for the 1993 safety net program will expire in 2003. No comparable protection has been provided for the other 730 counties across the national

which receive forest payments. An equitable system of payments for all forest counties nationwide is needed to protect the ability of these counties to provide quality schools and roads and to allow the Federal Government to uphold its part of the compact.

A Case Study

As members, we have all heard about, and many of us actually have, counties that have been adversely impacted by this compact being broken. I have several in my district, but will focus on Liberty County as a example of how the lost revenue has affected a large portion of this nation and its citizens. This case study shows the various effects that the loss of timber revenue from the Apalachicola National Forest has had on the children and citizens of Liberty County.

Liberty County is a rural county with a population of about 7,000 including 1,300 schoolchildren. That is the smallest county population of schoolchildren in the entire state of Florida. It has a total land area of 525,000 acres, 97 percent of which is forested, with half of that owned by the U.S. Forest Service within the Apalachicola. Until recently, the forest was the mainstay of a strong local forest product-based economy, and through sharing 25 percent of the revenue from timber sales, provided substantial support for the local schools and government.

In 1989, the Forest Service began to manage its land in a different way, mostly to protect the habitat for the endangered red-cockaded woodpecker. It is interesting to note that Liberty County has the only recovered population of this bird in the world. Perhaps the most significant thing about these changes is not the decline in harvest, but rather the fact that in 1998 the net annual growth of timber on the Apalachicola National Forest was about 800 percent greater than the volume harvested. The sawtimber growth is approximately 50 times greater than the volume harvested.

The effects of timber harvest reduction on forest revenues to the 4 counties and school districts within the Apalachicola is that the 25 percent payments have declined in value from a 1987-93, 5 year average (in 1998 dollars) of $1,905,000 to $220,000 in 1998; a loss of 89 percent. Due to this reduction, the Liberty County School District was forced to take several painful steps. These steps included reducing school staffing by 11 positions out of a total of 151; increasing the average class size from 23 to 28 students; discontinuing the enrichment programs in health, computer education, and humanities; discontinuing vocational programs in industrial arts, small engine repair, and electronics (80 percent of the graduates do not attend college); curtailing the school media center; eliminating certified art and music teachers from the elementary school staffs; reducing the Pre-K program, formerly the only program in the state to serve all four-year olds; and terminating a new program in technology acquisition, which would have placed the county on par with other Florida school districts.

The impacts on county government have also been very significant. The County road crew was reduced from 23 to 18 positions. This staff reduction, plus equipment obsolescence and the inability to purchase needed supplies and materials, has resulted in the deterioration of the rural road system. In 1994, the County was forced to float a $1,780,000 bond issue in order to meet current road needs. It is unclear how the county will meet its future road responsibilities in the absence of a substantial increase in the 25 percent payments from timber sale receipts. County employees suffered a 10 percent salary cut, which was partially restored following the imposition of a 1 percent local option sales tax and 7 cents per gallon gas tax. Finally, the Sheriff's Office and Emergency Medical Service have been forced to curtail hours and reduce services. As a result of this action, Liberty County remains the only county in Florida without an advanced life support system as part of the county emergency response organization.

However, the most far-reaching and devastating impact of these declining revenues is the adverse effect on the future of our children. An education system crippled by such funding cuts cannot train our young people in the skills needed to join tomorrow's society as contributing, functioning citizens.

H.R. 2389

It is clear to me that the compact of 1908 is broken and needs to be fixed immediately. That is why I have introduced the County Schools Funding Revitalization Act of 1999 with my colleague Representative Nathan Deal. This legislation is based on principles that were part of a compromise agreement reached by the National Forest Counties & Schools Coalition. This bill is significant because it was developed not by a "Washington knows best," top-down approach, but rather through "a home-grown," bottom-up approach that has finally reached a consensus. This unique coalition includes over 500 groups from approximately 32 states including school super-

intendents (including Hal Summers, School Superintendent of Liberty County, Florida Schools), county commissioners (including the Columbia County, Florida Board of County Commissioners), educators, several labor groups, the National Education Association and the U.S. Chamber of Commerce.

H.R. 2389 contains two main provisions. First, it would restore stability to the 25 percent payment compact by ensuring a predictable payment level to Federal forest communities for an interim 5-year period. This temporary five-year payment program would be based on the average of the three highest payments received by a state in fiscal years from 1985 until this bill is enacted. This is obviously a necessary step to arrest the current destructive downward spiral. Secondly, the bill requires the Federal Government to collaborate with local community and school representatives as part of the Forest Counties Payment Committee to develop a permanent solution that will fix the 1908 compact for the long term.

There are other options that have been proposed to address this problem, from decoupling forest receipt payments from forest management activities to legislating or mandating timber harvest. My view is that the welfare of schools and county governments cannot be artificially disconnected from the economic stability and social vitality of rural counties. I do not feel that either one of those options is a starter in this Congress. However, I truly believe that the consensus compromise that H.R. 2389 represents is the one possibility that could be passed.

We, the Federal Government, must fulfill the promise made to these communities in 1908. In the part of the country where I come from, a man's word is his bond. Together, we can fix the compact and restore long-term stability to our rural schools and governments and the families that depend on them.

Again, thank you for allowing me the opportunity to discuss the issue of forest timber revenue payments and the solution that Representative Deal and I have developed. I stand ready to try and answer any questions that my colleagues might have.

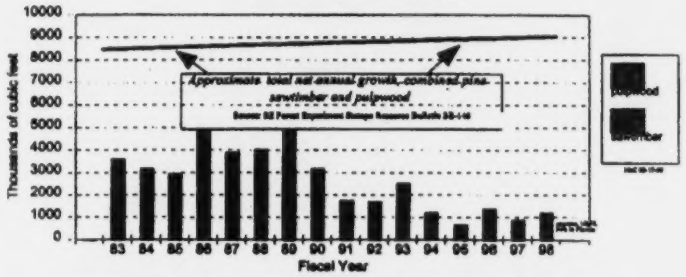
Impacts of RCW Management, Apalachicola National Forest
Liberty County, Florida

Liberty County is a rural county in the Florida panhandle with a land area of 525,000 acres. Ninety- five percent of the land is forested and 50% of the forested land is in the Apalachicola Ranger District. The District is the home of the only recovered red-cockaded woodpecker (RCW) population in the nation. The reduction of the sawtimber harvest on the Apalachicola National Forest (Fig. 1) caused primarily by management for the RCW has been reflected in the erosion of Liberty County's economy and in the reduction of the life quality of its 6,947 citizens.

Figure 1

TIMBER VOLUMES HARVESTED

Apalachicola National Forest, FL



In 1998 the Forest Service harvested about 2% of the net annual pine sawtimber growth and 14% of the total net annual pine growth on 528,000 acres of timberland.

Here are the economic impacts of changes in Forest Service management on a 10 county "impact area" within and adjacent to the Apalachicola N.F. Due to the design of the analytic tools used, the effect on Liberty County alone cannot be identified.

Lost Jobs - - - - - - - - - - 374
Lost total annual income - - - - $13.4 million

These are numbers: theoretical losses calculated using Forest Service data and response coefficients. The actual human consequences listed on the following page are a far more revealing measure of impacts of RCW management. These impacts have transformed the way of life in this rural county and changed forever the manner in which its citizens view the U.S. Forest Service.

The county's tax base is extremely limited. Seventy five percent of the county's 1,293 pieces of residential property are exempt from taxation under the state homestead exemption law. The federal government pays no taxes on National Forest Land; instead, it shares with local jurisdictions 25% of the forest's income from timber sales and other receipts. In addition, the Board of County Commissioners receives an annual supplemental "payment in lieu of taxes" (PILT) which is not shared with the school district. The decline in federal fundind has been severe.

	----thousands of dollars--------		
	25% funds	PILT	Totals
Avg. annual payments, 1983-87	$902	$38	$940
Avg. annual payments, 1993-98	94	157	251
Avg. annual change	- 808	+119	- 689

The loss of 73% of the revenue from 80% of the county's land has resulted in an economic crisis. In order to survive financially under this revenue shortfall, the county has been forced to re-assess priorities and re-allocate available funds. There follows a small sampling of the "people" impacts that are affecting the quality of life in Liberty County.

BEST COPY AVAILABLE

Impacts of RCW Management - Liberty County, Florida, pg. 2

Schools

- Reduced school district staffing by 11 positions, out of a total of 151.
- Increased the average class size from 23 to 28 students.
- Discontinued the enrichment programs of health, computer education and humanities due to faculty shortage and inability to purchase needed equipment.
- Discontinued the vocational programs of industrial arts, small engine repair and electronics (a serious matter when 80% of the high school graduates do not attend college)
- Curtailed school media center's operation.
- Terminated a new program of technology acquisition which would have placed the county on a par with other Florida school districts.
- Eliminated certified art or music teachers from elementary school staffs.
- Restricted the Pre-K program (formerly the only program in Florida to serve all county four-year-olds)

Roads

- The County road crew was reduced by 5 positions out of a total of 23. This staff reduction, plus equipment obsolescence and the inability to purchase needed supplies and material, has resulted in the deterioration of the rural road system. The county now maintains 40 miles of dirt road and 58 miles of paved road which serves primarily National Forest land.
- In 1994, the county was forced to float a $1,780,000 bond issue in order to meet current road needs. It is unclear how the county will meet its future road needs in the absence of substantially increased Forest Service 25% payments from timber sale receipts.

General

- County employees under the Board of County Commissioners suffered a 10 % salary cut. This cut was partially restored following the imposition of a 1% local option sales tax and a 7¢ per gallon gas tax.
- The Sheriff's Office and the Emergency Medical Service have been forced to curtail hours and reduce services. As one result of this action, Liberty County remains the only county in Florida without an advanced life support system as part of the county emergency response organization.

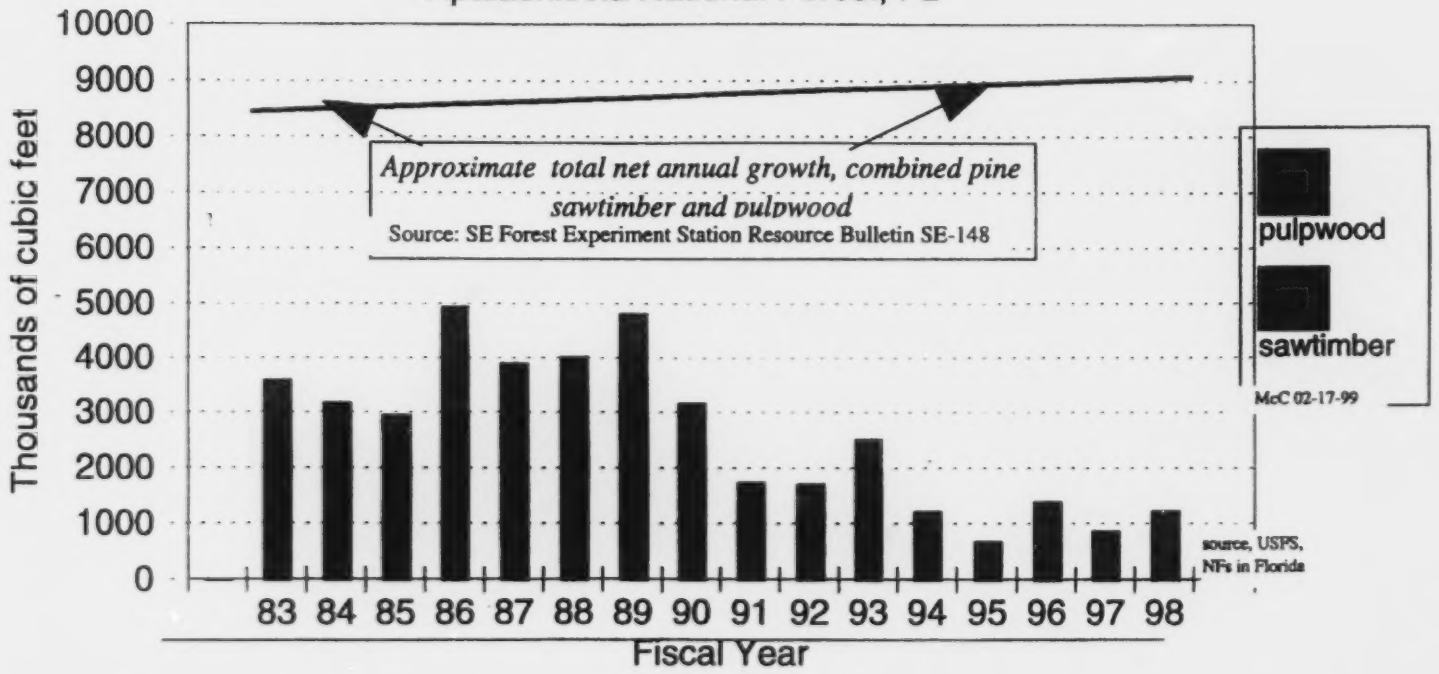
The most far-reaching impact of RCW management in Liberty County will the adverse effect on the future of its children. An education system crippled by funding cuts cannot train young people in the skills needed to join tomorrow's society as contributing, functioning citizens.

BEST COPY AVAILABLE

Exhibit 1

TIMBER VOLUMES HARVESTED

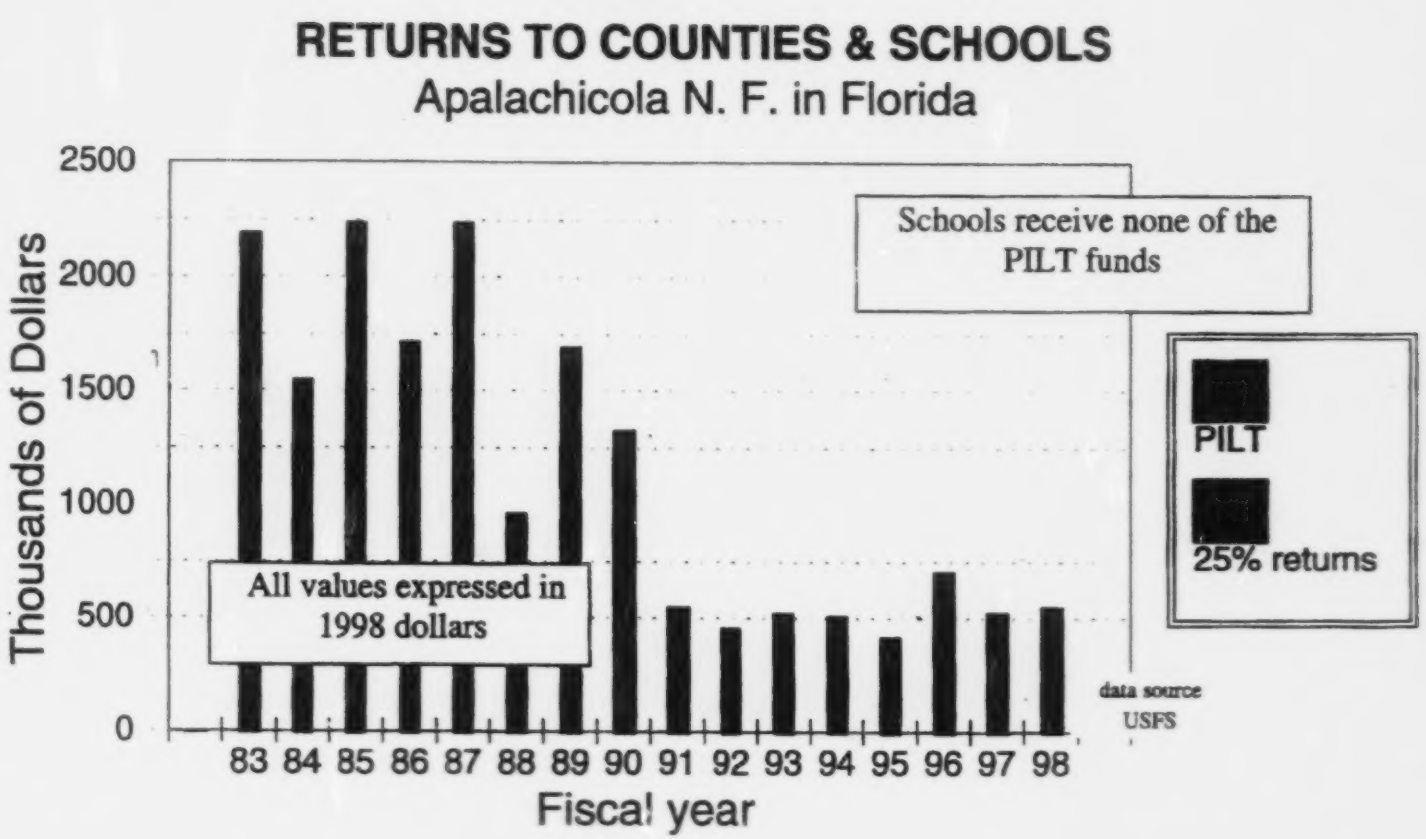
Apalachicola National Forest, FL



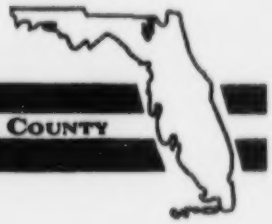
In 1998 the Forest Service harvested about 2% of the net annual pine sawtimber growth and 14% of the total net annual pine growth on 528,000 acres of timberland.

40

EXHIBIT 2


RETURNS TO COUNTIES & SCHOOLS
Apalachicola N. F. in Florida
Thousands of Dollars
2500
2000
1500
1000
500
0
Schools receive none of the PILT funds
All values expressed in 1998 dollars
PILT
25% returns
data source USFS
83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98
Fiscal year

District No. 1 - Ronald Williams
District No. 2 - Dewey Weaver
District No. 3 - Ziverde C. Petty
District No. 4 - Kenneth E. Will
District No. 5 - James Montgomery



BOARD OF COUNTY COMMISSIONERS • COLUMBIA COUNTY

June 11, 1999

MEMO

TO: Honorable Bob Graham, U.S. Senator
Honorable Connie Mack, U.S. Senator
Honorable Allen Boyd, U.S. Representative District 2
Honorable Karen L. Thurman, U.S. Representative District 5

FR: Margaret Watkins

RE: Resolution No. 99R-16
Resolution in Support of the National Forest Counties and School Coalition

Enclosed is a copy of the above mentioned Resolution that was adopted by the Columbia County Board of County Commissioners in their regular session May 6, 1999.

Please contact our office should you have any questions.

JUN 18 1999

/mw

XC: W. V. McConnell, Land Management Planner/Forester
Outgoing Correspondence

BOARD MEETS FIRST THURSDAY AT 7:00 P.M.
AND THIRD THURSDAY AT 7:00 P.M.

P. O. DRAWER 1529 ▼ LAKE CITY, FLORIDA 32056-1529 ▼ PHONE 755-4100

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COLUMBIA COUNTY, FLORIDA
RESOLUTION NO. 99R-16

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF COLUMBIA COUNTY, FLORIDA, IN SUPPORT OF THE NATIONAL FOREST COUNTIES AND SCHOOL COALITION (NFCSC), AND REQUESTING U. S. CONGRESSIONAL MEMBERS TO SUPPORT AND CO-SPONSOR THE NFCSC LEGISLATIVE PROPOSAL DURING THE CURRENT SESSION OF CONGRESS.

WHEREAS, funding for schools and roads from 25% of the receipts of timber harvest on the Osceola National Forest partially located in Columbia County, Florida, has declined steadily over the past decade; and

WHEREAS, this decline in forest revenues has been nationwide and has resulted in the formation of a National Forest Counties and School Coalition (NFCSC) whose goals and principles have been described in the NFCSC Joint Principles dated March 8, 1999; and

WHEREAS, this Board has studied and supports the Joint Principles Statement of the NFCSC and the efforts of that organization; and

WHEREAS, this Board believes its U. S. Congressional members (House and Senate) should take immediate action to co-sponsor the legislative proposal of the NFCSC when it is introduced during the current session of Congress.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The Columbia County Board of County Commissioners hereby expresses and memorializes its strong support for the NFCSC organization, including its Joint

Principles Statement dated March 8, 1999, together with the organization's efforts to have appropriate enabling legislation introduced during this session of Congress to correct to alleviate the problem of declining national forest revenues.

2. Columbia County's U. S. Congressional members (House and Senate) are strongly urged to co-sponsor the NFCSC legislative proposal when it is introduced in the U. S. Congress this spring which will support a long term solution to insure long term forest management and a return to actual gross receipts to the counties and other entities impacted by the reduction in timber harvest and resulting revenue reduction.

UNANIMOUSLY PASSED AND ADOPTED BY THE COLUMBIA COUNTY BOARD OF COUNTY COMMISSIONERS this 6th day of May, 1999.

BOARD OF COUNTY COMMISSIONERS
COLUMBIA COUNTY, FLORIDA

By: _____
Ronald Williams, Chairman

By: _____
James Montgomery, Commissioner

By: _____
Zimmie Petty, Commissioner

By: _____
Dewey Weaver, Commissioner

By: _____
Kenneth Witt, Commissioner

ATTEST: _____
P. DeWitt Cason, Clerk of Court

(SEAL)

Approved as to form:

_____
Marlin M. Feagle
County Attorney

To: National Forest Counties and Schools Members
Fr: Bob Douglas, Superintendent-Tehama County Schools
Re: - PLEASE CUSTOMIZE THIS FOR YOUR LOCAL MEDIA AND RELEASE IMMEDIATELY TO THE PRESS

June 30, 1999

NATIONAL FOREST COUNTIES AND SCHOOLS COALITION
P. O. Box 8551 - Red Bluff, CA 96080

For Immediate Release

The National Forest Counties and Schools Coalition received word today that HR 2389 had been introduced by Congressman F. Allen Boyd (D) of Florida and Congressman Nathan Deal (R) of Georgia. Initial cosponsors of the bill include Jennifer Dunn (R) Washington, Jim Turner (D) Texas, John Peterson (R) Pennsylvania, and Mike Thompson (D) California. The bill provides a short-term funding "safety net" for schools and counties which have received a portion of the revenues received from all activities on US National Forest Lands since the passage of legislation in 1908. These funds have been a mainstay revenue source for forest counties and schools for over ninety years. An additional important provision in the proposed legislation is a clearly defined process for the development of a long-term solution to the current forest management deadlock and the resulting steep decline in school and road revenues in counties containing National Forest lands.

In most parts of the country forest revenues have declined over the past ten years in excess of sixty-five percent from averages of the previous decade. This has had a significant impact on the services provided to students in many school districts and has drastically reduced funds available for the maintenance of county roads including safety issues such as snow removal and bridge repairs. In _____ county, forest receipts have declined by _____% since _____(year). (Then insert here any local examples of program cuts or curtailments)

This legislation is actively supported by the National Forest Counties and Schools Coalition, a consortium of over 500 member organizations, from 32 states, which developed and

agreed upon principles for both a short-term equitable safety net as well as a long-term solution to the problem posed by current US National Forest policies and practices. This is a matter of importance in over 800 forested counties of the USA, where the National Forest system has grown to include 192 million acres of federal land, and the percentage of private and thus taxable lands is extremely low.

Among the groups that are supporting this effort are the National Association of Counties, the National Education Association, the American Association of School Administrators, the US Chamber of Commerce and the United Brotherhood of Carpenters and Jointers of America among many other national groups. Support comes from counties and schools in forest counties throughout the country as well as from local business, labor, industry, and forest user groups. At the local level there appears to be strong bipartisan support for dealing with the federal forest lands receipt issues for schools and counties. Local organization members of the National Coalition include, (insert your groups here).

Bob Douglas, spokesperson for the National Forest Counties and Schools Coalition stated, that "our organization is committed to sustainable forest management, wherein ecological, economic, and social factors receive equal consideration." It is also strongly committed to total forest management which considers multiple use and other factors as they relate to total systemic and sustainable forest health based on current best science using independent critical peer review. He also stated, "we are a moderate organization dedicated to achieving a "common sense conservation" solution to the gridlock griping our forest counties in America. This bill will provide a foundation to move ahead as a nation, by simultaneously providing healthy schools, healthy communities, and healthy forests."

Mr. HILL. I thank you, Mr. Boyd, for your testimony.

Before we proceed, I would like to ask for unanimous consent for Mr. DeFazio to be able to join us at the dais. Without objection, so ordered.

I want to remind members that Committee rule 3C imposes a 5-minute limit on questions, and the Chair will recognize members for any questions they may have to ask witnesses.

Mr. Sherwood, you are recognized.

Mr. DEFAZIO. Mr. Chairman, is that necessary? I appreciate the unanimous consent, but is that necessary for a member of the full Committee. I thought members of the full Committee could sit on any Subcommittee.

Mr. HILL. That is what we were told by staff.

Mr. DEFAZIO. Thank you, Mr. Chairman.

Mr. SHERWOOD. Thank you.

Mr. Boyd, I am very interested in your first chart that showed the cut on the Apalachicola National Forest and the growth. I realize that you reemphasize those figures for us, but what is your understanding why we find ourselves in that position where growth is 800 times harvest; if I understood you right?

Mr. BOYD. Well, that is a very good question, an appropriate question. I think you need to understand a little bit about the history of the Apalachicola National Forest. The forest was purchased by the Federal Government probably back in the 1930s. It was actually cut over when the Federal Government purchased it, and the United States Forest Service and the government has done a great job in reestablishing the forest. I know Mr. Dombeck is here and can give us more of the specific dates.

But what has happened over the last few years is there is the red-cockaded woodpecker population in the Apalachicola National Forest, and I might say that we have the only recovered population of RCW in the world and probably the largest population in one spot of RCW anywhere in the world.

The point that I would make is that this RCW population has actually thrived over the years with the cutting practices that we were using back in the eighties; but somehow or another the Forest Service policy changed in the early 1990s and our cutting has gone to almost zero. As a result, our county and schools don't get any revenue off of it. I hope that answers your question.

Mr. SHERWOOD. Where did you get your timber volume figures?

Mr. BOYD. They came from the Southeast Forest Experiment Station Resource Bulletin.

Mr. SHERWOOD. When did the policy change? It looks like it maybe is 1991 or 1992?

Mr. BOYD. You can see the graph shows after 1989, you started a downward decline that hit rock bottom in 1995. You actually see—the sawtimber volume is indicated by the dark portion of each bar. The pulptimber, that is the total cutting on each—the total cutting for the forest.

Mr. SHERWOOD. What is the rotation, pulpwood, you need about 35 years?

Mr. BOYD. We need much less. We can cut out pulpwood in those areas of Florida, if you cut on a 25 to 30 year rotation, you actually

get a good amount of saw timber. We understand that we have some other objectives in the national forest.

Mr. SHERWOOD. We are so used to talking about western forests in this Committee where it is dry, and timber does not grow that fast.

Mr. BOYD. That is not the case here.

Mr. SHERWOOD. That is what I wanted to establish. I will reserve the rest of my questions until after the chief talks to us.

Mr. HILL. I thank the gentleman, and the Chair recognizes Mr. Smith.

Mr. SMITH. One question on the decoupling issue. Can you explain where you are coming from on that? Obviously the one side of the argument is since timber harvest has been so unpredictable in recent years that tying a significant portion of the local community's budget to that is a questionable policy, even though the original policy of making sure that they were compensated for the fact that this land was put in Federal hands is sound and is necessary. Wouldn't it make sense to find some more secure and stable amount of funding to make up for that instead of having it tied in to the timber sales, which as I understand it, you built some things along the lines of stability but doesn't go to full decoupling.

Mr. BOYD. I think that is correct. The reason that the coalition did not come up with a recommendation to go to decoupling is that the administration has made that recommendation for 2 or 3 years in a row and I don't know that a bill has ever been introduced, certainly I don't believe one has ever had a hearing and moved. Mr. DeFazio can speak greater to that than I can because I think he has a piece of legislation which basically does that.

But our goal here was to stabilize the situation for the 5-year term, put in place this advisory committee which would be made up of seven people as a cross-section of the interested parties here and have them make a recommendation back to Congress as to how we fix this long term.

Mr. SMITH. Thank you.

Mr. HILL. The Chair would recognize Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman.

In clarification, the administration has proposed this as I understand it twice now. This is the second budget cycle in which they have proposed it.

My bill, just to correct the record, both the staff memo and the gentleman's perception, gives a one-time option 5 years out which is after the next regularly scheduled forest planning process at which point I think we would have a good handle on what future harvests might or might not yield and whether counties and schools would be better linking themselves to revenue sharing or to guaranteed payment.

But my question goes to the issue of where the money comes from under the gentleman's bill. It appears to me that the money if it is not adequate in—is going to come out of the Forest Service appropriations, is that where some of the money might come from?

Mr. BOYD. Congressman DeFazio, what the bill—this bill anticipates is that is a decision that would be made by the Forest Service. There was a 1908 compact made between the Federal Govern-

ment and the local communities, and the Forest Service had the responsibility for implementing that compact.

The Forest Service has changed its management policy in the last 6 to 7 years in such a way that the compact has been rendered essentially useless and so we felt like the Forest Service should make the decision about those issues, about where the funding comes from since it was their policy changes that got us there. Of course we stand ready to work with the Forest Service in any way that we can to make it happen.

Mr. DEFAZIO. Just to disagree slightly with the gentleman, we make policy, not the Forest Service. The Forest Service implements policy. That is a little bit of my frustration with the approach, which is to say if the agency cannot deliver on higher harvests, which are precluded by law as established by Congress, then it will have to come out of their budget, further crippling an agency which doesn't have enough money to perform its mission, whether the mission is to provide benefits to the counties or recreational benefits or other multiple-use benefits. I don't believe the Forest Service has enough money.

So I am concerned that it would appear that we are going to penalize the agency which is implementing the policies which we have established, and this has been my argument with the counties coalition. If we want to have a debate on forest policy, the Chairman could start that debate tomorrow on legislation to change the underlying laws and policies that are under the jurisdiction of this Committee that goes to the level of harvest and mandate high levels of harvest. But instead we are having this sort of back door way of penalizing the agency which really can't do—doesn't have the flexibility.

In my case, in my region the changes came about because of litigation after the Forest Service had drug its feet for years, and they were totally wiped out in the courts. The timber harvest went to zero, and subsequently changes were made that restored some harvest. But I guess the point is maybe it should come out of Congress's budget.

Mr. BOYD. I certainly don't want you to inaccurately characterize what the legislation does because I think it speaks clearly for itself.

You have been here certainly longer than I have and probably understand these issues a great deal better than I do because you have been involved with them. I don't know of any specific legislation that has come out of this Congress which has mandated, since 1990, reduced cutting. But I am sure as a result of certain policies that came out, the Forest Service took it upon themselves to change their management policy and I certainly understand that part.

That is why we have set up what we think is a reasonable 5-year temporary fix and put together the advisory committee to help us develop a long-term solution. The alternative is to bury our heads in the sand and go along like we have. And in the meantime, we continue to have these funding problems in our schools and with our local governments down there.

I want you to know, Mr. DeFazio, I stand ready to work with anybody. I have been hollering and screaming about this issue for several years, even before I got into Congress. I don't know exactly

how to answer your question except to say that it is the Forest Service management policy that has changed over the last few years that has reduced the revenues to our local governments.

Mr. DEFAZIO. To whom does the committee make the recommendation for changes in policy?

Mr. BOYD. To the U.S. Congress.

Mr. DEFAZIO. That goes back to the point that I made. The changes in forest policy management do go to a whole host of Federal environmental laws and court precedents that have been set. And if this Congress wants to mandate higher harvest levels, we can do that, which means that there are underlying policies that were created by laws by the Congress that have driven the management by the Forest Service.

I mean, yes, there is a little bit of wiggle room, but under the last administration that wanted to harvest a lot more timber in the Pacific northwest than the law apparently allows, the courts just enjoined them. I think you might find in your forest if they try to ignore the red-cockaded woodpecker or other mutiple-use concerns and endangered species concerns, whatever your concerns are in your forest, you might end up under an injunction that wipes out that whole little bar that you have left there. I am not sure that we are—I agree on your basic premise. And the hurt and pain, I have seen it. The amount of timber that you harvested at the maximum was the amount of timber harvested in the smallest ranger districts in my region, and so I understand the pain. I am sympathetic, but I want to keep my eye on the ball and that is the money.

Mr. BOYD. If I might because when Mr. DeFazio asked the last question, he asked it in such a way maybe I didn't answer it correctly. You said who the advisory committee makes the recommendations to about the policy changes. We are not—we don't ask the advisory committee to make recommendations about policy changes. We ask them to make recommendations about how to solve this problem. I want to make that very clear. I can see if you thought that the advisory committee was going to be advising the Forest Service about how to do its cutting, that is not what we asked them to do. We are asking them to make recommendations to the U.S. Congress about how to solve this problem so that the Federal Government can keep its compact with the local communities that it established in 1908.

Mr. HILL. I thank the gentleman. Carrying on with that same topic, we can't pass a decoupling bill or targeted timber harvest bill in this Congress. This is an effort to compromise those two positions and come up with something that we can move forward with.

Mr. BOYD. You said it better than I could, Mr. Chairman.

Mr. HILL. Thank you very much.

The issue here is bigger than just the funding of schools and counties. One of our goals here is stable economies and stable communities. Isn't that one of the objectives of this bill?

Mr. BOYD. That is correct. I didn't talk about that because there are several impacts on local communities. One is on your school system and another is on your local county government and both of those have to do with tax issues. The third impact is on the economy and many of these communities rely heavily on the forest or

timber industry as the backbone of their economy, which has been ripped away from them. We are not sure that we will solve all of those questions over the years, but at least we ought to make an effort as to how we can help solve this funding problem with the school systems and local governments.

Mr. HILL. And this is consensus legislation. It is bipartisan and a broad spectrum of different groups that are supporting it; isn't that correct?

Mr. BOYD. That is correct. You have people all of the way from the National Educational Association to the U.S. Chamber of Commerce and labor groups. I think that is about as much consensus as you can get.

Mr. HILL. Are you aware of any coalition that is supporting Mr. DeFazio's bill or the administration's proposal with regard to decoupling?

Mr. BOYD. I am not. That does not mean that there is not somebody out there supporting it, it just means that I am not aware of it.

Mr. HILL. Let's go back to the issue of decoupling. I happen to agree with your feelings about decoupling. I have a couple of examples, more than a few examples, where there are decoupled payments from the Federal Government. The most common is Indian reservations where we have impact aid and other payments. The point is that they don't have sustained economies. They don't have stable economies. Would you just address this issue of decoupling; why decoupling is a mistake in your view?

Mr. BOYD. Well, I believe there is always a chance, particularly in some of the things that we have seen happen in the U.S. Congress in the last few years, that if the issue becomes decoupled, then it becomes an easy appropriation to just let go away eventually. So that is one of the reasons.

The other reason is because even though the administration has proposed it now for two budget cycles, it has not caught on with anybody. We were looking for something that might be able to give us a short-term fix again and establish a committee that will make some long-term recommendations on solutions.

Mr. HILL. One last question. If there is one important point that you want this Subcommittee to keep in mind, what is it do you think that the Subcommittee should remember from this hearing?

Mr. BOYD. I think that in Liberty County, Apalachicola National Forest, in the mid-eighties, this school system got almost $2 million out of this program which was a very important, significant part of its funding for children. And that was in exchange for the Federal Government owning land and diminishing the tax base which would be the normal revenue base for the schooling.

Now that has gone to 10 percent of that number, and our class sizes have increased from 23 up to 28. We have had to lay off teachers and bus drivers. We have obsolete equipment. We have done away with our pre-K program. Those are significant issues. It is affecting the education of our children in that community.

Mr. HILL. I thank you very much, and I thank you for your excellent testimony. If there are no other questions, you are excused.

Mr. BOYD. Thank you, Mr. Chairman, and Members.

Mr. HILL. I would like to introduce our next panel, Mr. Mike Dombeck, Chief of the U.S. Forest Service; Mr. Bob Douglas, Tehema County Superintendent of Schools, Red Bluff, California; Mr. Glen Spain, Pacific Coast Federation of Fisherman's Associations; Mr. Bobby Green, Chairman, Lane County Board of Commissioners, Eugene, Oregon; and Mr. William N. Dennison, Plumas County Supervisor, District 3, Chester, California.

The Chairman will recognize Mr. Dombeck.

STATEMENT OF MIKE DOMBECK, CHIEF OF THE U.S. FOREST SERVICE

Mr. DOMBECK. Thank you, Mr. Chairman. It is always an honor to appear before this Committee, and today our topic is to testify on the Timber-Dependent Counties Stabilization Act of 1999 and the County Schools Funding Revitalization Act of 1999 and to discuss the Department's proposal on this same topic, and I would like to introduce Associate Deputy Chief Sandra Key who is here with me as a technical expert and knows all of the numbers.

I will talk about the Department's proposal first. As you are aware, the proposal which we have submitted for a second year really focuses on a number of things. Number one, to provide stability and predictability to counties. I think I am struck when I heard just the statements of Congressman Boyd and the questions of how much—how many common goals we have in this effort. Predictability and stability are those, and the fact is that social services and schools, roads are very important. And I am one that grew up on a national forest and attended one of those schools in one of those districts, so I am somewhat familiar with it.

Our second objective is to provide reasonable payments to compensate counties for national forest lands that are not available for the local tax base.

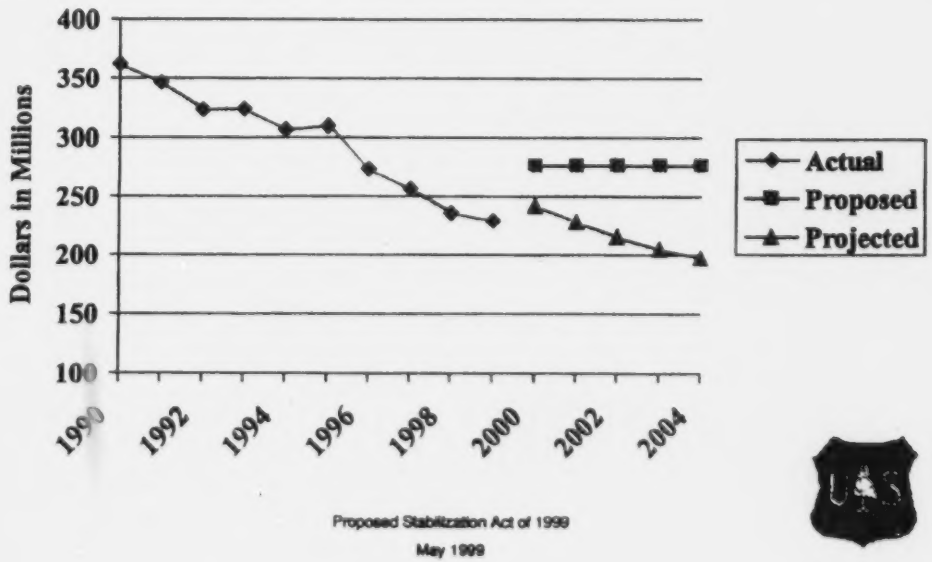
A third objective is mandatory permanent payments not subject to annual appropriation, not subject to the unpredictability that county commissioners and others deal with; and perhaps the last issue that there is some concern over, and that is the connection between controversial timber sales to critically important local services and how we can avoid some of the instability from litigation injunctions and things like that that are really out of the control of the Congress and the Forest Service.

Let's talk about the stability issue first. I have a graph that really points out the trends.

[The information follows:]

25% Fund Payment Trend

Actual v. Stabilization Act of 1999 Estimates



Proposed Stabilization Act of 1999

May 1999

Mr. DOMBECK. As we move to the right, what we see is a 36 percent reduction from 1989 to the present. And if the safety net had not been put into place for the O&C counties and the west side counties in Oregon, the slope of that curve would be even significantly further down from where it is right there. As you see, our projections of where payments to counties, where we would predict that they would go based on the information that we have are also listed there and then the squares across the top indicate some sort of stability that our proposal provides, and we think that is a real important objective.

Secondly, I just want to reaffirm the commitment of the Forest Service to providing some level of payment to the counties understanding that in many cases there are large portions of the tax base that are not available because of the national forest lands that are there. The children of the Forest Service employees go to these same schools, use the same roads as other residents in those communities. The concern about the unpredictability of the appropriations process, to fund to the authorized levels, I know are concerns here; and that is why we feel some sort of mandatory payment is important. We have a permanent mandatory appropriation now on the 25 percent fund, so really what we are looking at there is no change to make this a permanent fund because it is already a permanent fund. It is already mandatory.

Lastly, the distinction between a social services, a moral imperative for our children's education, do we really want to tie that to controversial issues like timber sales where we know the controversies are looming, and how can we move away from that. It is my belief that tightening the connection will further inflame the controversy rather than make it easier.

The fact is should education issues be driving national resource decisions? Wouldn't they be better dealt with as education issues and as funding issues rather than mixing the two in an already fairly complex situation because the fact is that resource management has been controversial since the days of Gifford Pinchot and will continue to be controversial because of the simple fact that as our country grows, there is not enough for everyone to have all of what they want. And so we have to share, and the real debate is about balance as much as anything else.

With regard to the County Schools Funding Revitalization Act, I think there is a lot of agreement there. However, we strongly oppose that piece of legislation for a couple of reasons. Number one, it doesn't provide long-term stability beyond 5 years.

Secondly, the funding provisions for the payments could create significant impacts on Forest Service programs like recreation, fish and wildlife programs because of the provisions there, and it doesn't separate payments from controversial issues like timber sales. And we are also concerned about the establishment of another committee since we already have congressional concerns over the complexity of legislation and issues that really play into Forest Service policies.

With regard to Mr. DeFazio's bill, we see a lot of commonality there and think that through some amendments we could really move forward with that. The issue of stability is important. The issue that I am somewhat concerned about and I am happy to

enter into a dialogue on, we know what the problems are today so why would we wait 5 years to put a decision off. At any rate, I think it is important that these issues are being discussed here today, and I am happy to answer any questions you have after the panel has made its statements.

Mr. HILL. Thank you Chief Dombeck for your testimony.

[The prepared statement of Mr. Dombeck follows:]

STATEMENT OF MIKE DOMBECK, CHIEF, FOREST SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

Thank you for your invitation to testify on H.R. 1185, "Timber-Dependent Counties Stabilization Act of 1999," and H.R. 2339, "County Schools Funding Revitalization Act of 1999." I appreciate the opportunity to join you today to continue the dialogue that the Administration began last year on the need to provide a stable, permanent level of payments, commonly known as the twenty-five percent fund, and to separate the payments from National Forests receipts. With me this afternoon is Sandra Key, Associate Deputy Chief, Programs and Legislation from the Forest Service.

As you are aware the Department of Agriculture has also submitted to Congress proposed legislative language that would make payments to states permanent and at an increased level over what is forecasted with the twenty-five percent fund payments.

Department's proposal, "The Stabilization Act of 1999."

The Department's proposal will:

(1) provide a stable, predictable payment that counties can depend on to help fund education and maintenance of roads,
(2) provide increased payments above the payments projected under current law to compensate states for National Forest lands that are not available to the local tax base,
(3) provide a mandatory, permanent payment not subject to the annual appropriation process, and
(4) sever the connection between timber sales and critically important local services.

First, we need to provide a stable, predictable payment that counties can depend on to help fund education and road maintenance. Under 16 U.S.C. 500, (commonly known as the twenty-five percent fund), twenty-five percent of most Forest Service receipts are paid to the states for distribution to the counties in which National Forest lands are located for financing public roads and schools. Historically, the primary source of National Forest receipts has been from the sale of timber on National Forests. Over the past 10 years, timber harvest from National Forests has declined 70 percent in response to new scientific information, changing social values, and our evolving understanding of how to manage sustainable ecosystems. During that same period, payments to states made under 16 U.S.C. 500 have been reduced 36 percent; from $361 million in 1989 to $228 million in 1998.

Under the Department's proposal, states will receive the higher of the 1998 fiscal year payment or a new special payment amount. The special payment amount will be 76 percent of the average of the 3 highest payments made to the state during the 10 year period from fiscal years (FY) 1986 through 1995 of both twenty-five percent fund payments and payments under section 13982 of the Omnibus Budget Reconciliation Act of 1991 The special payment amount will not exceed the 1998 FY payment by more than 25 percent. The special payment amount will pay the states approximately $269 million annually, representing an additional $27 million above the existing baseline in FY 2000, $72 million in FY 2004, and $259 million more over the next five years.

The special payment is modeled on the formula used in what was referred to as the "owl county safety-net" adopted by Congress in 1990 as a provision of the Interior and Related Agencies Appropriations Act. The provision was adopted at the request of certain counties in western Washington, Oregon, and northern California affected by decisions relating to the Northern Spotted Owl. It was renewed annually until 1993 when Congress authorized a 10 year, gradually declining, payment stabilization formula which will expire in 2003. We chose 76 percent of the historic baseline because that was the level of the owl county safety-net payment guarantee when the Administration first proposed to stabilize payments over a year and a half ago.

Second, we want to provide a reasonable payment, based on all benefits of National Forest lands, to compensate states for these lands that are not available to the local tax base. Historically, states received payments based on revenues generated from commodity extraction, primarily timber. For a variety of reasons, including new scientific information about the sustainability of our resources, commodity extraction from our National Forests has been reduced. National Forests continue to provide a myriad of benefits to local communities—jobs, income generation, recreation and tourism, timber and mining, hunting and fishing and so on. Payments made through the payments in lieu of taxes program are often not appropriated to their fully authorized levels, creating difficulties for counties with a limited tax base due the presence of public lands. Our proposal ensures that states continue to benefit from both the intrinsic and economic value of public lands by guaranteeing a payment to make planning and budgeting predictable for counties. Thus, we propose that states receive a permanent, stable annual payment based upon a percentage of historic payment averages.

Third, the payment needs to be excluded from the annual appropriation process. We cannot rely on either revenues or the annual appropriation process to produce a consistent, reliable level of funding. The Department's proposal will provide a mandatory, permanent payment to states from the general fund of the Treasury.

Fourth, we must make distinct and separate the social and moral imperative of children's education from the manner that public forests are managed. Both activities, children's education and forest management, are essential but continuing to link the two activities together could continue to reduce funding for children's basic education needs.

There has been resistance to this proposal. In part, the resistance may stem from a belief that timber harvest levels will rise dramatically again in the future. This belief is mistaken: (1) timber harvest has steadily declined over the past decade, and (2) in FY 1999 and FY 2000, the Administration and both Houses of Congress each proposed as part of the appropriations process timber offer levels that were below 4 billion board feet, including salvage opportunities. It is highly unlikely that timber harvest levels will return to the 11 billion board feet volume of the early 1990s.

Continuing the connection—or tightening it as one of the two congressional proposals before us today would do—will only serve to ensure that payments to states will continue to be tied to controversial forest management issues.

Separating payments to states from the receipts generated from the sale of commodities and user fees will allow for a stable, reliable increased level of funding for the states and counties.

H.R. 1185, "Timber-Dependent Counties Stabilization Act of 1999"

The Administration supports the objectives of H.R. 1185, but will seek amendments to more closely align this bill with the Department's proposal. For FY 2000 through FY 20004, this legislation will provide stable payments to states based on an amount equal to 76 percent of the average of the 3 highest twenty-five percent payments made to the state during the 10 year period from fiscal years 1986 through 1995 (special payment amount).

In addition, the bill would provide that after FY 2004 each state will make a one time permanent, binding choice of receiving either the twenty-five percent payment or the special payment amount. This will give states the option to have a permanent, stable payment, not based on revenue generation, or to continue with the decreasing, unpredictable twenty-five percent fund payments. While this is definitely a step in the right direction, it simply puts off decisions which can and should be made today. The Department prefers to ensure that all states receive a permanent stable payment as is provided in the Department's proposal.

This legislation also provides for the special payment amount to be adjusted to reflect changes in the consumer price index for urban uses. The Department's proposal does not reflect changes in the consumer price index, but we are willing to work with the Subcommittee to discuss the additional funding that this will require.

H.R. 2389, "County Schools Funding Revitalization Act of 1999"

Again the Department agrees with one of the objectives of H.R. 2389, that is to stabilize payments, but strongly oppose this bill for the following reasons: (1) it does not provide a stable payment past 5 years nor does it provide for a mandatory payment to states from the general fund of the Treasury, (2) the funding provisions for FY 2000-2005 payments could create significant impacts on Forest Service programs and (3) it does not separate payments to states from the contentious, controversial debate over natural resource management of the National Forests, but only fuels this debate by establishing an advisory committee to address issues concerning management of our National Forests.

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First, H.R. 2389 would only temporarily stabilize payments to states for a five year period beginning in FY 2000. Under this bill, the short-term payments for fiscal years 2000 through 2005 would be the twenty-five percent fund payment for the fiscal year or the full payment amount, whichever is greater. The full payment amount would be equal to the average of the three highest twenty-five percent fund payments or the owl county safety-net payment during FY 1986 through FY 1999. This formula would yield a payment that is over $170 million more than the $269 million that is available for the Department's proposal. Since current payment levels equal $227 million for FY 2000, falling harvests would need to double in order to fund the higher payments to state levels, or the Forest Service will have to significantly reduce non-revenue producing programs. In addition, after 5 years this issue will have to be addressed again. Assuming this issue will not be easier to resolve, then payments to states will return to the twenty-five percent fund payments resulting in a significant reduction in funding for education and roads.

Second, under the Department's proposal, payments to states will be made automatically from the general fund of the Treasury and will not be subject to the annual appropriation process. In contrast, H.R. 2389 will fund the difference between the twenty-five percent fund payment amount and the full payment amount from revenues received from activities on National Forest lands and funds appropriated for the Forest Service. Forest Service appropriations that fund programs generating revenues for the twenty-five percent fund, and funds from trust funds or other special accounts established by statute for specified uses will not be eligible to fund this difference. Under this provision, in FY 2000 the Appropriations Committees will have to either increase Forest Service funding or divert over $170 million from Forest Service programs such as fire suppression, watershed improvement, wilderness, wildlife and fisheries that do not generate revenue. This is neither tenable nor appropriate.

Third, H.R. 2389 will fail to separate payments to states from the debate over the management of National Forest lands. In fact, the bill would only fuel this debate by continuing to make the payment amount dependent on decisions relating to natural resources management. Most significantly, the bill would establish an advisory committee charged with developing recommendations for a long term method for generating payments at or above the full payments amount. The advisory committee will be required to "seek to maximize the amount of ... revenues collected from Federal lands" and to "ensure that this method is in accord with a definition of sustainable forest management in which ecological, economic and social factors are accorded equal consideration in the management of the Federal lands."

The concept of maximizing revenues collected from National Forests is a fundamental change in Forest Service policy and direction. There is nothing in the Organic Act or National Forest Management Act (NFMA) that requires optimization of revenues. For the last 30 years, Congress has declined emphasizing economic return over natural resource management needs. To do so now is a major reversal to long-standing, carefully hammered out policy. NFMA certainly recognizes the important contributions of economic products from the National Forests, but it also recognizes that such production should be within the ecologically sustainable limits that also preserves our children's economic future.

We strongly believe that payments to states for the purposes of funding schools and roads should not be thrust into the middle of the debate over the appropriate management of our natural resources.

Closing

Since 1908, the twenty-five percent fund has worked well to provide funding for local schools and roads. But as demands on our National Forests have increased and timber harvest has declined we need to provide a stable, permanent mechanism for making payments to states.

Madam Chairman, the Department supports the objectives of H.R. 1185, but we prefer a complete separation between the payments to states and revenue generation from National Forests. The Department strongly opposes H.R. 2389 because it neither provides a permanent stable payment to states nor separates payments to states from the controversial debate over management of our National Forests. We recommend that you consider our proposal to provide a permanent, predictable payment that states can depend on to help fund schools and roads. We would be pleased to work with the Subcommittee to pursue options that might meet our respective goals.

This concludes my statement; I would be happy to answer any questions you and the Members of the Subcommittee might have.

Mr. HILL. Mr. Douglas, you are recognized.

STATEMENT OF ROBERT E. DOUGLAS, TEHEMA COUNTY SUPERINTENDENT OF SCHOOLS, RED BLUFF, CALIFORNIA

Mr. DOUGLAS. Thank you for the opportunity to testify in support of H.R. 2389. The bill is based upon the National Forest Counties and Schools Coalition principles, as you mentioned. Our coalition is a rapidly growing collaborative of 500 organizations from now 35 States. Our office administers the coalition, and I serve as the chief administrative officer.

Mr. Chairman, I would like to enter into the record a list of the organizations which support the coalition.

Mr. HILL. Without objection.

Mr. DOUGLAS. Our organization has grown very rapidly since founded in March 1999, primarily because the citizens of the 800 forest counties in America, all of whom are represented in one way or another by the organizations in our coalition are having a common experience. As a group these counties are enduring economic instability as a result of the deep decline in resource-based activities on Federal forest lands, they are experiencing devastating social disruption and decimated public school and county services.

Nationally, U.S. Forest receipts have declined precipitously since 1989. In 70 forest counties which are protected by the Northwest Forest Plan, the declines have been in the 21 to 24 percent range to date. However, in the 730 forest counties not protected in the Northwest Plan, the declines in receipts have ranged from 75 to 90 percent as Congressman Boyd noted.

Public schools and county governments have, out of necessity, slashed programs and services. Five to ten years of steeply declining receipts have literally eviscerated the breadth and quality of school and county services in most of these counties.

In an urban or suburban setting, the vast majority of property is private or industrial, and it is possible to offset these losses in revenues through a variety of taxes or assessments.

In forest counties where 50 to 96 percent of the land is nontaxable Federal forest land, this possibility simply does not exist. This fact was recognized by the Congress and the founders of our Federal Forest System almost a hundred years ago when huge blocks of land were set aside to form our national forest reserves.

When we removed those lands from private ownership, revenue production and local tax generation, the counties of America protested the impact on public service support. Gifford Pinchot, Congress, and the President agreed that 25 percent of the annual revenue from management of those lands would be given to schools and counties as mitigation for the effects of land removal.

This was a compact with the people of rural counties. These funds have been for almost a hundred years a mainstay of support for forest counties and schools. We honored that compact until the late 1980s when by agency policy, administration regulation and injunction, the active management of our forest system was severely restricted. The historic compact with the people of forest counties has been broken and disregarded for almost a decade.

For these reasons, we propose H.R. 2389 which is a two-phased resolution to revitalize county and school support. It proposes a short-term safety net for forest counties designed to protect public schools and county services over the next 5 years. Given the eco-

nomic and social deterioration in these counties, it is absolutely essential that we revitalize and stabilize their infrastructures.

Second, in order to address the larger and more significant systemic problem, which includes not just school and county government support but also the economic and social health of our communities and the health and sustained multiple use of our Federal forest lands, we are proposing the creation of a national committee appointed by Congress to develop recommended legislation and/or policy revisions, a focused national conversation over the next 5 years devoted to defining a long-term solution to our Federal forest management practices. And the resultant effects upon long-term sustainable health, community and social stability, and the vitality and effectiveness of school and county infrastructures is critically needed in our country. In the meantime, the current laws regarding the payments to States should remain untouched.

Our bill provides such a mechanism. This is a systemic problem, and it must be solved with a systemic solution. We believe that the Forest Service and the Bureau of Land Management must continue to have incentives to actively manage Federal forests for the production of materials for our Nation to generate resources for the Treasury and payments to counties and schools and also be diligent about the active healthy management of our national forests.

We strongly believe that payments to counties and schools unconnected from corollary improvement in economic self-determination and improved social conditions will not work. Neither will payments to counties work, which are unconnected to incentives to actively manage, on a sustained basis, the dominant economic asset in forest counties, the forest land itself.

All of these factors are connected parts of an ecological and social system and any long-term solution must achieve a balance between these factors. Forest Counties and Schools Coalition urges your support of H.R. 2389. It meets the immediate and critical needs of forest counties and schools while providing a blueprint for the construction of a long-term solution to our current forest management gridlock and its attendant consequences.

Thank you very much, Mr. Chairman.

Mr. HILL. I thank you, Mr. Douglas.

[The prepared statement of Mr. Douglas follows:]

STATEMENT OF BOB DOUGLAS, NATIONAL FOREST COUNTIES AND SCHOOLS COALITION

Thank you for the opportunity to provide testimony in support of H.R. 2389. This bill is based upon and reflects the principles upon which the National Forest Counties and Schools Coalition is based (see Appendix A). The National Forest Counties and Schools Coalition is a rapidly growing collaborative of over 500 organizations from 32 states. My office currently administers the Coalition and I serve as the Chief Administrative Officer.

Mr. Chairman, I would like to enter into the record, a list of those organizations which support the National Forest Counties and Schools Coalition Principles and this legislation. Our organization has grown very rapidly since it was founded in March 1999. This is primarily due to the fact that the citizens in our eight hundred (800) forest counties in America, all of whom are represented by organizations in our Coalition, are having a common experience. As forest related communities, they are all enduring economic instability as a result of the precipitous decline in resource based activities on Federal forest lands, devastating social disruption, and decimated public school and county services.

Nationally, U.S. Forest Reserve receipts have declined by 65 percent since 1989, (See Appendix B). In the seventy (70) forest counties which are protected by the Northwest Forest Plan, the declines have been approximately 21 percent to date.

However, in our 730 forest counties not protected in the Northwest Plan, the declines in receipts have ranged from 75-90 percent (See Appendix C).

Public schools and county governments have, out of necessity, slashed programs and services. Five to ten years of steeply declining receipts have literally eviscerated the breadth and quality of school and county services in most of these counties.

In an urban or suburban setting, wherein, the vast majority of property is private or industrial, it is possible to raise offsetting revenues through a variety of local taxes and/or assessments. In forest counties where 50-96 percent of the land is non-taxable Federal forest land, this possibility simply does not exist. Given the exceptionally small non-Federal land base, it is impossible to locally offset the loss of Forest Reserve or O & C BLM receipts.

This fact was recognized by the Congress and the Founders of our Federal forest system. Almost one hundred years ago when our National Forest system was formed, huge blocks of land were set aside to be Federal Forest Reserves. These lands were removed from the possibility of private ownership, revenue production, and local tax generation for county government and schools. Not surprising, there was a hue and cry from forest counties nationwide about the local economic impact. Gifford Pinchot, Congress, and the President agreed that 25 percent of the annual revenue from the management of these Federal forest lands would be given to schools and counties as mitigation for the effects of this land removal.

This was a "Compact With The People of Our Rural Forest Counties." These funds have been, for almost 100 years, a mainstay of support for rural schools and counties. The Compact was honored and protected until the late 1980's, when by Federal agency policy, administrative regulation, and injunction, the active management of our National Forest System was severely restricted. During the last decade, this historic Compact with the People of our forest counties has been broken and disregarded.

For these reasons, H.R. 2389 proposes a two-phase solution to revitalize county and school support. First, it proposes a short-term safety-net for our forest counties designed to protect public schools and county services over the next five years. Given the economic and social deterioration in these counties, it is absolutely essential that we revitalize and stabilize their infrastructures. Second, in order to address the larger and more significant systemic problem, which includes, not just school and county government support, but also the economic and social health of our communities, and the health and sustained multiple use of our Federal forest lands, we are proposing the creation of a National Committee appointed by Congress to develop recommended legislation and/or policy revisions. These recommendations will emphasize increasing receipt generation, minimizing adverse budget impacts, promoting economic benefits to schools and counties, while simultaneously ensuring healthy, long-term sustained use of our National Forest lands.

We strongly believe that these recommendations can and should be formulated during the first three years of the safety-net and then submitted to the Administration and Congress for their consideration. It is further our belief that these recommendations should be enacted into law within two years of their receipt by Congress.

A focused national conversation devoted to defining a long-term solution to our Federal forest management practices and their resultant effects upon long-term sustainable forest health, community economic and social stability, and the vitality and effectiveness of school and county infrastructures is critically needed in our country. This bill provides such a mechanism. This is a systemic problem and it must be solved with a systemic solution. The current laws regarding payments to states should remain untouched. Specifically, the Coalition is adamantly opposed to decoupling or disconnecting county and school payments from actual gross forest receipts. We believe that the U.S. Forest Service and the Bureau of Land Management must continue to have incentives to manage the National Forests for the production of materials for the nation, to generate resources for the Treasury and payments to counties and schools and be diligent about the active healthy management of our National Forests. It is possible to have sustained-yield multiple-use forests which produce materials for our Nation, revenue to support local community infrastructures, provide the economic and social vertebrae for local communities, and simultaneously provide wildland fire protection, pure watersheds to sustain our urban and suburban population centers, and maintain ecologically healthy forests. These are mutually compatible and not mutually exclusive goals. There are those in our society today that are spending millions of dollars on advertising, public relations, and legal fees to convince us that this is an "either/or situation" when in reality, we know that these goals are compatible. Consequently, we strongly believe that payments to counties and schools, unconnected from the corollary improvement in economic self-determination and improved social conditions will not work. Likewise,

neither will payments to counties work, which are unconnected to incentives to actively manage on a sustained basis, the dominant economic asset in forest counties—the forest land itself. All of these factors are connected parts of an ecological, economic and social system, and any long-term solution must achieve a balance between these factors.

We believe that this can and must be done for the benefit of our rural counties and schools and the long-term health of our Federal forests. The Forest Counties and Schools Coalition urges your support of H.R. 2389. It meets the immediate needs of forest counties and schools while providing a blueprint for the construction of a long-term solution to our current forest management gridlock and its attendant consequences.

Thank you.

Appendix A

National Forest Counties & Schools Coalition

JOINT PRINCIPLES
March 8, 1999

We are a Coalition of organizations concerned about National Forest and BLM Forest Land Management, and the relationship of these lands to the people in states and counties that have a heritage of common interests. Due to changes in forest land management over the last decade, the relationships have changed, negatively impacting a large number of local communities. The Coalition firmly believes that a cornerstone of our principles is the health and productivity of these federal lands which is of vital importance both now and in the future. In addition, the Coalition concurs in their belief that the creators of our National Forest and BLM timberland system expected: 1) that forest resources would be managed in such an environmentally responsible manner that they would produce long-term sustainable revenue to share with schools and counties as well as products for the nation; 2) that the revenue loss to counties because of this land removal from potential private development was to be mitigated by the Federal Government with the funds used for schools, roads, and other local purposes; and 3) that compensation to counties was to be equivalent to 25% of all gross receipts received from the National Forests, and/or 50% of gross receipts from the revested O&C lands, and/or 4% of the gross receipts from Public Domain Lands. Policy and practice have allowed these basic tenets to be eroded.

Proposed Policy: National Forest Counties & Schools Coalition support legislation that will:

1. Cover all National Forest counties nationwide and include O&C counties.*
   * O&C forests are those in the Pacific Northwest managed by the Bureau of Land Management under different statutes than the National Forest System.
2. Make no changes to the Agricultural Reapportionment Act of 1908 as amended, and the O&C Acts of 1937 & 1939 as amended, and the Department of Interior Appropriations Act, 1952 (65 Stat. 252), specifically no "decoupling" of payments from actual gross forest receipts. Provide an incentive that requires the Forest Service to produce receipts and be accountable for their basic responsibilities for active healthy management of the National Forests. The difference between actual receipts and safety net payments shall be paid by the Forest Service and BLM, but shall not be paid out of revenue producing activities and budgets, including trust funds of the United States Forest Service.

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Short-Term Principles

Special payments to states under this legislation will provide a short-term safety net with a specific termination date.

1. Require payments be guaranteed based on 100% of the average of the highest three-years since 1986.
2. Require "either/or" language which provides for the above payment, or the actual 25% forest reserve receipts, and/or 50% receipts for the O&C counties, and/or 4% receipts for the Public Domain Lands, whichever is greater.
3. Provide for indexing of the payments to a CPI.

Long-Term Principles

Provide a process for developing a long-term solution to ensure long-term forest management and a return to actual gross receipts.

Any long-term solution must:

a. Promote local government coordination and community based partnerships.

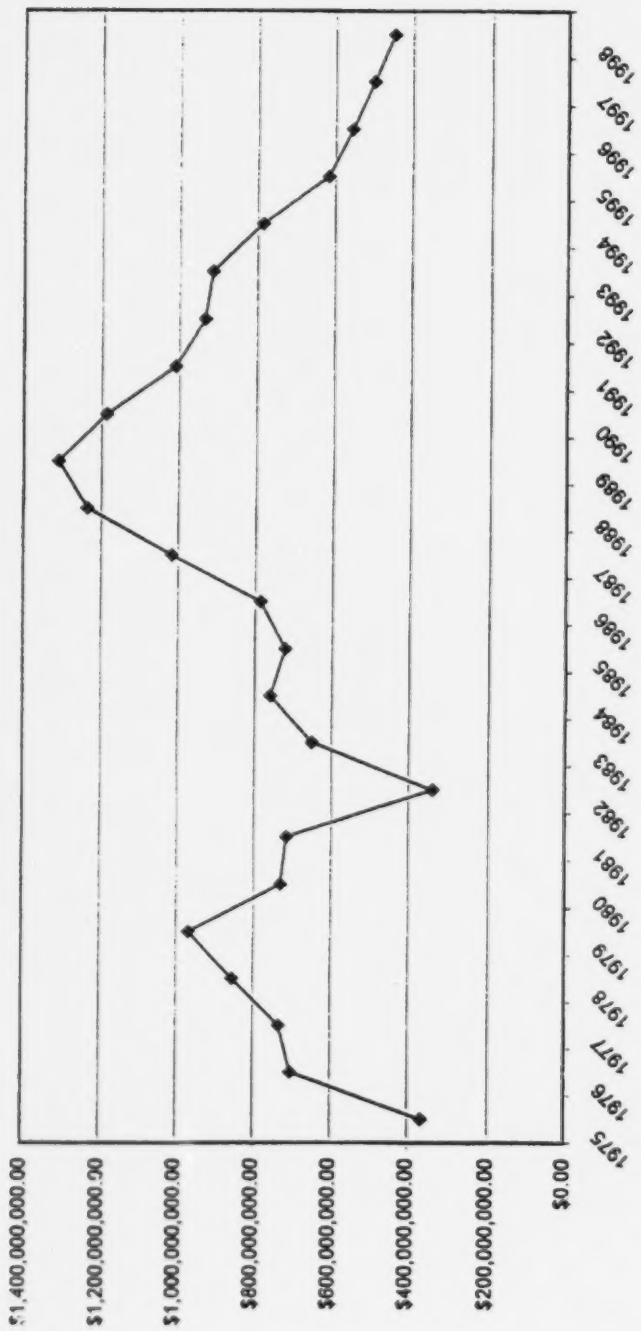
b. Recognize the need for sustainable economic self sufficiency of rural communities through the best use of the natural resources whether for farming, grazing, mining, timber harvest, recreation, or aesthetics.

c. Be in accord with a definition of sustainable forest management, wherein ecological, economic, and social factors will receive equal consideration in the management of the National Forests.

d. Provide for total forest management which considers the principle of multiple use and other factors as they relate to total systemic and sustainable forest health, based on current best science, using independent critical peer review.

Appendix B

Forest Service Timber Revenues
1975-1998



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Appendix D

Testimony Provided to Committee on Resources U.S. House of Representatives May 20, 1999

Robert E. Douglas
Tehama County Superintendent of Schools and
Administrator, National Forest Counties and
Schools Coalition

Good Morning! My name is Robert E. Douglas and I currently serve as the Tehama County Superintendent of Schools in Red Bluff, California. I have been a school administrator in forest counties since 1974, first in Plumas County, home of the Quincy Library group project, and for the last nine years in Tehama County, home of Lassen Volcanic National Park. I am here today to share with you our experience during the last decade. I am also here to share with you the recommendations of the National Forest Counties and Schools Coalition since my office serves as the administrative entity for this new and rapidly growing organization.

As a teacher, I always told my science students that a picture was worth a thousand words. So today I want to start my testimony with a picture of our National Forest Reserve Receipts since 1975. Exhibit I in your packet, displays the total U.S. Forest Service Revenues from timber from 1975 through 1998. As you can readily see, the receipts have plummeted since 1989. This slippery slope represents a 66% decline. If this was a ski slope it would be marked with double diamonds and danger signs would be prominently posted everywhere! Perhaps that is not so far fetched, because when one extends the current trend line it declines to zero shortly after the start of the new Century. For rural schools and counties, nothing could be more dangerous. Incidentally, when one looks at the data in constant dollar values, only twice since World War II have we produced less value in revenues from our National Forests than we did in 1998 - once in 1982, during the height of the recession, and then way back in 1958. Now these are National statistics, and they camouflage to a large extent even more serious effects that are occurring in some of our counties.

In my neck of the woods, things are a lot worse. Exhibit II displays the Plumas and Tehama Counties data from 1986-1998. In Plumas County, receipts totaled $8.8 million in 1992 - $4.4 million apiece for both schools and county roads. In 1998, total receipts were $1.4 million, with $700 thousand being shared with both roads and schools, a decline in six years of 84%. If the mother of invention truly is necessity then you now know why the Quincy Library Group Project was created. In Tehama County, our receipts have declined by 64% from $2.4 million to $860 thousand in 1998. Our decline is less precipitous only because, about one third of our county is protected by the Northwest Spotted Owl Safety Net which expires in 2003. Without this protection, our decline would mirror in percentage that of Plumas County.

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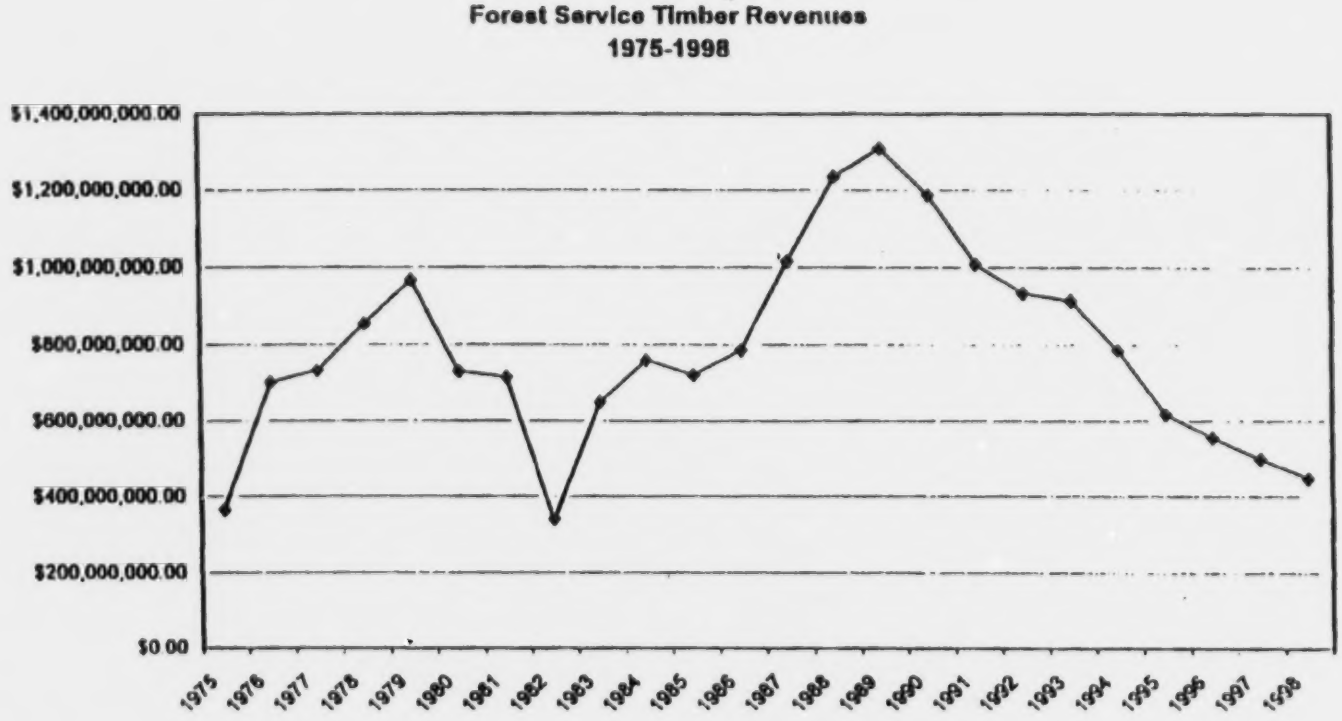
Forest Service Timber Revenues
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EXHIBIT 1

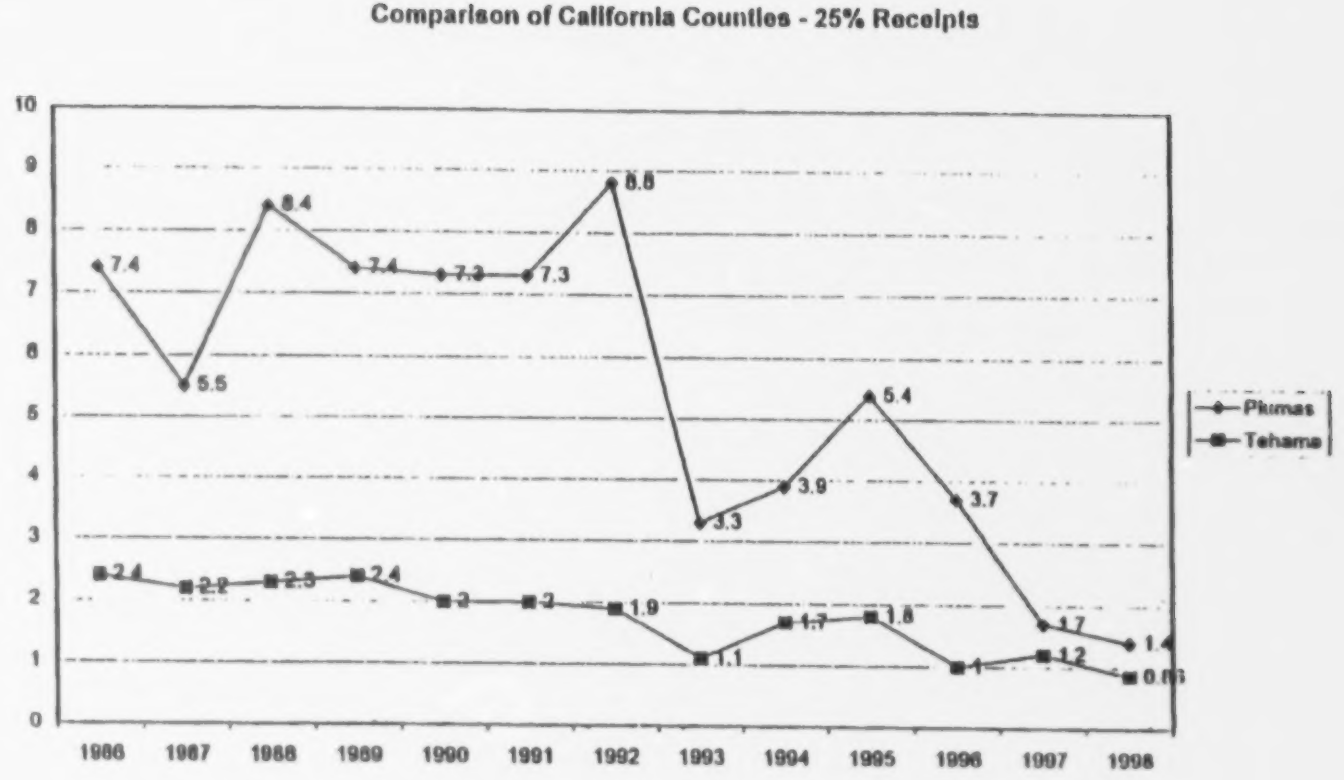

EXHIBIT II

65

Statistics and graphs however, mask the real effects of this decade of economic terror. In our counties and schools these declines in revenue and forest production have had a Godzilla-like effect.

- Teachers have been laid off.
- Textbook and instructional materials budgets have been slashed.
- Bus transportation has been curtailed or discontinued.
- Art and music programs have been curtailed and/or eliminated.
- Lifetime recreation and sports programs have been eliminated.
- Athletic and student activity programs have been cut.
- Secondary and middle school elective programs have been restricted or discontinued (vocational/technical electives).
- The number of periods of instruction per day in school schedules have been reduced.
- Nursing, counseling, and psychological services have been reduced or eliminated.
- Curriculum and assessment development services have been reduced or eliminated.
- Library and media services have been reduced.
- Administrative, supervisory, and consultation services have been curtailed.

Virtually every part of the school system in forest county school districts has been effected by these draconian reductions. It is an understatement to say that the quality of rural schools has been attacked by federal government indifference and insensitivity to the consequences of their forest management policies. Rural forest county schools are and have been held hostage to the emotional and polarized debates over our National Forest Management Policies.

Each year during the last decade, as the data depicts, the situation has become more ominous in the eyes of rural educators. Hope has now turned to despair and in some cases desperation. In our view, this destructive downward spiral must be arrested and stabilized. For this reason, school leaders and county government leaders have come together in 1999 to form the National Forest Counties and Schools Coalition. This new organization now has a membership of over 380 groups and entities from 28 states, joined together because of our common concern about federal forest management policies and the extremely destructive effects they are having on our rural schools, county governments, and the social and economic stability of our local communities. The very foundations of our rural heritage, lifestyle, and our children's futures are being threatened by these policies.

The National Forest Counties and Schools Coalition is based on a sound set of common sense conservation principles to which all member organizations subscribe.

First and foremost, our Coalition firmly believes that the cornerstone of our Principles is the health and productivity of our federal forests - a position which we vigorously advocate that is of vital importance now, and in the future. We strongly believe that the creators of the U.S. National Forest System expected that:

a. Forest resources would be managed in such an environmentally responsible manner, that they would produce long-term sustainable revenue to share with schools and counties and continue to produce products for our nation.

b. The revenue loss to forest counties and schools, because of this federal land removal from private ownership and revenue production would be mitigated by sharing 25% of the receipts from the management of these lands or 50% from certain Bureau of Land Management (BLM) lands.

This agreement to mitigate the negative local school and county revenue effects constituted a federal compact with the citizens of our rural counties almost 100 years ago. Until the late 1980's Uncle Sam kept his word. Since then, the picture tells the story. Current federal forest management policies and administrative directives are clearly inconsistent with these original tenets.

We recognize that these issues are complex and emotional. We urge the Congress to consider the following principles set forth by our Coalition as the essential elements of a fair and just resolution:

1. All forest counties nationwide should be treated equitably. Currently the Northwest Spotted Owl Protection Counties in Oregon, Washington, and Northern California are partially protected from declining revenues. All others in our nation are totally unprotected.

2. The current laws regarding payments to states should remain untouched. Specifically, the Coalition is adamantly opposed to decoupling or disconnecting county and school payments from actual gross forest receipts. We believe that the U.S. Forest Service and the Bureau of Land Management must continue to have incentives to manage the National Forests for the production of materials for the nation, to generate resources for the Treasury and payments to counties and schools and be diligent about the active healthy management of our National Forests. It is possible to have sustained-yield multiple-use forests which produce materials for our Nation, revenue to support local community infrastructures, provide the economic and social vertebrae for local communities, and simultaneously provide wildland fire protection, pure watersheds to sustain our urban and suburban population centers, and maintain ecologically healthy forests. These are mutually

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compatible and not mutually exclusive goals. There are those in our society today that are spending millions of advertising and public relations dollars to convince us that this is an "either/or situation" when in reality, we know that these goals are compatible.

We submit that the solution is a two stage process:

- For the short-term, we believe that a National Safety-Net Payment System to States and thus to counties and schools should be enacted and based upon 100% of the average of the three highest revenue years since 1986. Payments should be based on either the special calculated payment amount or the actual gross forest revenues, whichever is higher, and payments should be indexed to a CPI, to provide protection from inflation.

- For the longer term, we remain convinced that the answer lies in defining a solution which provides for active, sustained, and healthy management of our federal forest lands and a return to the sharing of gross forest receipts. In our view, this long-term solution must:

  a. Be in accord with a definition of sustainable forest management, wherein ecological, economic, and social factors will receive equal consideration in the management of the National Forests.

  b. Recognize the need for sustainable economic self sufficiency of rural communities through the best use of the natural resources whether for farming, grazing, mining, timber harvest, recreation, or aesthetics.

  c. Promote local government coordination and community-based partnerships. The Congress and the President are commended for their proactive support of the Quincy Library Group Project, as a prototype for future effective forest management policy.

  d. Provide for total forest management which considers the principle of multiple use and other factors as they relate to total systemic and sustainable forest health, based on current best science, using independent critical peer review.

We firmly believe that reasonable, thoughtful, fair-minded, and patriotic citizens will continue to embrace these Principles in ever increasing numbers, and we encourage Congress to enact legislation during the 106th Congress which incorporates these common sense conservation solutions to this devastating problem in our forest counties and schools.

Mr. HILL. The Chair recognizes Mr. Spain for your testimony.

STATEMENT OF GLEN SPAIN, PACIFIC COAST FEDERATION OF FISHERMAN'S ASSOCIATIONS

Mr. SPAIN. Thank you, Mr. Chairman. Let me explain a little bit of our interest here. We are the largest organization of commercial fishermen in the West Coast and many of our people have been salmon fishermen. Salmon is the number two forest-dependent industry in the West Coast. Salmon, just 10 years ago, provided over 62,000 jobs and $1.25 billion to our economy. Much of that is in jeopardy because of past forest practices that have devastated watersheds and put over 25 different major runs of salmon on the endangered species list, with more to come.

The reality is that a lot of past practices in the forest on public lands were simply unsustainable. They could not continue without doing major damage to industries such as ours, to municipal water supplies which are heavily dependent on those forest watersheds, and to a variety of other economic sectors. That is one of the reasons that a lot of the harvest has been cut back, and I think those are sound public policies toward sustainability in the future. It is not just salmon. Sport fishing is a $108 billion industry, is in every State in this country, and in many of those States those fisheries are dependent on public lands.

The real issue and the real cause of the crunch is not even reduction in harvest because we have seen, as a result of globalization, harvest go up whereas the timber job base and the timber industry goes down because of automation. The real issue is globalization. If you look at the difference between 1908 and 1999, today we live in an interlocked global timber economy. At this point in time, this is causing enormous competitive pressure on the timber industry, a reduction in the timber job base, and particularly important for this schools 25 percent payment structure is that it causes enormous fluctuations in the price of timber.

Take the stumpage price. Some of the facts and figures, if you look at the real numbers, you find that in the 1980s there was a huge collapse of stumpage prices, almost six-fold losses for county payments. Payments are 25 percent of the price that timber fetches. If the price collapses because of global markets, this is because of problems in the Japanese economy that were basically linked to our timber markets because of global interests. You find, for instance, in 1985 to 1993, in Oregon, the State I live in, just in an 8-year period of time, the stumpage price went from $100 per thousand board feet to $623. That is a 623 percent change in 8 years.

If you look at Federal timber sales, the situation is even worse. Between 1993 in eastern Oregon and 1997, there was roughly a seven-fold change in timber stumpage prices. You cannot build a county budget on that kind of instability, frankly. We do not live in the same world as we did 100 years ago where these prices were relatively stable and within the control of local and national forces.

At this point it makes no sense to continue to hold county budgets hostage to international timber markets in Singapore, Japan, and the Philippines. One of the reasons we have seen current stumpage prices collapse is because of economic instability in Asia.

Again, these collapses were due to global market forces, not timber harvest policy, more than anything else.

Now, looking at the various bills in front of you, they all have good elements, and they all have missing pieces. What we would propose as a bill that would do the job would be one along the administration's policy for fixed payments in perpetuity outside of the appropriations process, and as Mr. Dombeck pointed out, that is what we already have. I think Mr. DeFazio's bill does that, too.

Perhaps Mr. Boyd's bill does that, but only for 5 years. Payments should also be indexed for inflation. The DeFazio bill and Mr. Boyd's bill do that. The administration's does not. I don't think that they can do it without congressional approval. It should also be management neutral. The current system works fine.

I don't think, frankly, that taxpayers in this country will put up with special management deals being cut in back rooms without all public taxpayers being able to participate in the process.

So whatever we need, we need something that is management neutral and basically not special interest driven. There should be a choice made. In most every instance, the administration's deal is a good one. I provided in my testimony, in the back of my testimony, a chart showing how that impacts Oregon. That will make a $21 million plus difference to Oregon just in the current proposal.

Now we do not take a position on the precise formula. Seventy-six percent, a hundred percent, you know, what average? That is negotiable. I have talked to people in the administration and a lot of people on the Hill, and that is all negotiable. Numbers can be supplied by the Forest Service upon request in terms of comparisons to past practices.

In summary, I think you really need a bill, and it needs to come out of this Congress this session, that breaks the link between county budgets and Singapore and Philippines timber markets which are out of our control, subject to massive fluctuations without notice, outside of anything that we have any control of, and which causes the instability that a lot of these counties are suffering from.

A stable payment program is on the table in every proposal. There is no argument with that. What we are arguing over is the details. I would submit my testimony for the record, and I would be happy to answer any questions.

[The prepared statement of Mr. Spain follows:]

Peter Pernoske
President
David Bitts
Vice-President
Barbara Steckel
Secretary
Robert Miller
Treasurer
In Memoriam:
Nathaniel S. Bingham
Harold C. Christensen

PACIFIC COAST FEDERATION of FISHERMEN'S ASSOCIATIONS

W. F. "Zeke" Grader, Jr.
Executive Director
Glen H. Spain
Northwest Regional Director
Mitch Farro
Resource Recovery Director
Vivian Bolin
Watershed Conservation Director
Duncan MacLean
Salmon Advisor

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Statement of the Pacific Coast Federation of Fishermen's Associations to the House Resources Committee, Subcommittee on Forests & Forest Health

Hearing on County Timber Revenue Stabilization
Washington, DC
July, 13, 1999

Thank you for the opportunity to testify. My name is Glen Spain. I am the Northwest Regional Director for the Pacific Coast Federation of Fishermen's Associations (PCFFA), the largest trade organization of commercial fishing families and fishermen on the west coast. PCFFA is a federation of 25 different commercial fishing vessel owner's associations and port associations, whose members participate in every west coast fishery, in particular salmon, from San Diego to Alaska. We represent thousands of working commercial fishing men and women throughout the west coast who are the economic mainstay of many coastal communities. As America's oldest industry, we are the men and women who put fresh, high-quality seafood on America's tables, create a job base for coastal communities, and help support federal, state and local community services through our taxes.

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The Importance of Protecting Federal Forests to Support Fishing Jobs

Salmon are inherently a forest-dependent species. As 'anadromous' fish, salmon spawn and rear in freshwater streams (preferably in forested areas), make their way through the estuary into the ocean where they grow into adults, and then must return back to their streams and forests of origin to start the next generation. Salmon are also the most sensitive to their environment in the egg stage and as juveniles when they are still in freshwater streams just after spawning. Some species (such as coho salmon) spend a fairly long time in freshwater streams, since they must "overwinter" there for up to 18 months before migrating out to sea, and are thus exceptionally sensitive to forest conditions.

Unfortunately, because of decades of salmon habitat destruction on private lands throughout the west coast, today the last, best salmon spawning and rearing areas are now on federal forestlands. Overall, 38% of the freshwater range of Pacific salmon is located on federal lands. For some species, such as spring and summer chinook, this percentage can be as high as 65%. The vast majority (over 80%) of these key salmon spawning and rearing refuge areas are also on national forests now managed by the U.S. Forest Service.[1] Thus Forest Service activities can have a dramatic impact on the west coast's remaining wild salmon populations.

Past Forest Service and BLM policies have seriously overemphasized timber harvest to the point where it has jeopardized other forest-dependent economic activities and biological values. Historically, widespread (and completely unsustainable) overharvest of timber on these federal lands has seriously depleted our salmon resource on the west coast by fragmenting forest ecosystems, putting in an extensive (and now rapidly eroding) system of logging roads, clearcutting steep hillsides (which increases the frequency and severity of landslides which introduce excessive amounts of silt), stripping streamside vegetation and thus increasing water temperature to near lethal levels for salmon, and generally degrading the biological integrity of many important west coast salmon streams. As a result of these impacts, which are exacerbated by many other human-caused impacts, *there are now 24 major populations of salmonids coastwide that are listed under the federal Endangered Species Act*, with many more in candidate status and thus likely to be listed in the near future.

Roughly speaking, we have lost about 80% of the productive capacity of salmon streams in the west coast as a direct result of various types of watershed destruction, including on federal lands. According to a 1991 comprehensive scientific study by the prestigious American Fisheries Society, at least 106 major populations of salmon and steelhead on the West Coast are already extinct. Other studies place the number at over 200 separate stock extinctions in the Columbia

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[1] Land distribution figures from a GIS database maintained by The Wilderness Society and published charts in The Wilderness Society publication, *The Living Landscape: Pacific Salmon and Federal Lands* (October, 1993).

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River Basin alone. The AFS report also identified 214 additional native naturally-spawning salmonid runs at risk of extinction in the Northwest and Northern California: 101 at high risk of extinction, 58 at moderate risk of extinction, and another 54 of special concern.[2]

Until very recently, salmon also meant big business to the Northwest and northern California economies. As recently as 1988, salmon fishing (both commercial and recreational) supported 62,700 family wages jobs throughout that region, and brought in over $1.25 billion/year to the regional economy. In spite of recent declines, salmon still support a substantial number of west coast jobs, from San Diego to Alaska. With proper stewardship of our public lands, many of these jobs can be returned to the economy.

Aside from commercial salmon fishing, other fishing activities based on federal forests play a major role in the nation's economy. Sportfishing is, in fact, the number two economic activity -- just after timber harvests -- which is supported by our national forests system, and is a component of much of the recreational activity of the country as well. According to an economic survey published by the American Sportfishing Association and funded by the U.S. Fish and Wildlife Service (*The 1996 Economic Impact of Sportfishing in the United States*), sportfishing in all its forms contributed roughly $108 billion dollars in 1996 to the U.S. economy. State by state breakdowns for western states in which national forests are most extensive was as follows:

State	Economic Output	Jobs	State Taxes	Federal Income Tax
Alaska	$ 956,793,847	12,626	$ no tax	$ 26,843,763
California	7,127,585,206	74,420	226,612,888	214,031,472
Idaho	461,681,805	6,884	18,625,254	10,711,682
Montana	447,974,606	7,505	214,788	11,114,641
Oregon	1,173,234,473	14,940	16,316,641	31,090,558
Washington	1,358,381,838	16,713	45,785,766	39,676,035
TOTALS =	$ 11,525,651,775	133,088	307,555,337	333,468,151

Sportfishing is clearly a big business. Much of this economic activity is supported by or takes place within our national forests. Many of the species which are fished for are also supported biologically by these important forest ecosystems (such as wild salmon and steelhead), or inhabit streams and rivers whose waters are fed in large part from national forest headwaters. According to that report, in 1996 nationwide, inland freshwater fishing alone (i.e., excluding the Great Lakes) accounted for more than $71 billion to the U.S. economy and supported an estimated 794,214 jobs.

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[2] Nehlsen, et. al., 1991. "Pacific Salmon at the Crossroads: Stocks at Risk from California, Oregon, Idaho, and California," *Fisheries* 16.2(4-21).

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Current Timber-Linked County Payments Are a Disincentive to Good Stewardship

Because so much of the state's timberlands are federally owned, the State of Oregon receives more federal timber payment dollars than any other state. Many county road budgets in Oregon, particularly in rural coastal and rural counties east of the Cascades, were historically supported in large part by the 25% timber payments scheme of the past. However, in order to expand those county budgets, there had to be more federal timber harvested. The counties economic incentive was therefore to push for higher and ever higher rates of federal timber harvests each year simply to support voracious County road bureaucracies.

As a result, these counties shifted the burden of paying for county services away from those who would naturally receive those services to the forest resource itself, to the great long-term detriment of federal forests and federal taxpayers elsewhere.[3] To a large degree, the unhealthy state of Oregon's forests today – particularly on the east side of the Cascades – was caused by the excessive harvests of the past. Past biologically unsustainable levels, however, were lobbied for hard by local county officials worried solely about paying for their growing budgets. County officials are generally not professional foresters. In the face of rising county costs, there was little concern by the counties about the ultimate impact of overharvest on the long-term health of the resource itself or on the economy.

Today we are paying a very high price for the sacrifice of the long-term health of Oregon's forests at the alter of short-term financial expediency. Stressed non-native species replanted into 'east side' forests are suffering from serious insect damage, and the risk of catastrophic fires. Many of Oregon's once abundant forest species are nearing extinction or already listed under the Endangered Species Act. Rural communities have now lost many of the legendary fish runs which once brought tourism. We now -- belatedly -- see the connection between a healthy forest ecosystem and a healthy rural economy.

Ecological constraints (including the need to protect endangered salmon and steelhead runs and to protect critical watersheds) have required major harvest cutbacks from the unsustainable harvest levels of the 1970's and 1980's. On the west side of the Cascades, the FEMAT Report and the work of many forest ecologists and biologists made it plain that harvest levels of about 600 - 750 million board-feet/year were all that could sustainably be taken from depleted federal timberlands – the levels targeted by the Northwest Forest Plan. These limits are not arbitrary. They are a reflection of the fact that the timber industry has run up against some basic natural biological limits of these forests. Pushing beyond those limits will result not in a net economic gain, but rather in net economic losses due to additional environmental damage done to other

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[3] For instance, as a class O & C lands counties have far lower average property tax rates than other non-timber dependent counties in Oregon.

economically important resource-based industries such as fishing, recreation and municipal water supplies.

Why Linking County Budgets to Federal Timber Harvests Leads to Community Instability and Budget Crisis

Over the past decades, the markets for timber commodities (and with them linked payments to forest-dependent communities) have been in long-term decline, largely due to the following three intransigent factors:

(1) Globalization of the industry, leading to increased supply and intensified competition, leading in turn to greater automation which causes downward pressure on timber industry wages;

(2) Cyclical trends and close linkage to larger demand-side economic trends (for example housing starts), leading to periodic industry downturns;

(3) Shifting working conditions, manifested by industry restructuring, price squeezes, steady replacement of a professional unionized workforce with outside contract labor, and a relatively low level of education needed to perform most types of work, which limits options for retraining.

In order to maintain profit margins in the context of intensified global competition, U.S. timber processing firms have boosted productivity by increasing the automation of their operations. Underlying this trend is an abundance of global timber supply sources from such countries as Canada, Chile, and New Zealand. This has exerted downward pressure on prices, further contributing to decreases in the number of firms remaining competitive in the industry, contraction of total employment in the industry, and reductions in compensation packages. This has also been evidenced by widespread increases in the use of cheaper outside contractors and consequent severe decline in timber industry union membership and employee benefits.

Research published by David Brooks of the Forest Science Laboratory in Corvallis, Oregon and recently summarized in *Science Findings*, a monthly publication of the Pacific Northwest Research Station, projects a moderate rate of increased global demand for industrial roundwood due to slow increases in income and consumption in developed countries. This slow demand growth trajectory should likewise keep prices depressed. Between 1970-1990, the annual growth rate in world consumption of industrial roundwood was only about 1.5%. The projections for 1990-2010 are approximately .02% annually – a growth level that is virtually stagnant.

Commodity and export-driven approaches to local community development are inherently risky—stumpage prices cannot be controlled by any local community in a global marketplace. This was readily seen in the timber recession of the early 1980's from a demand standpoint and is

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a real threat today from a supply standpoint. The global economic downturn for many developing countries will likely exacerbate oversupply issues, as these countries are eager to earn foreign currency and service debts by liquidating their forests.

To see how this plays out in the real world, county payments are tied to stumpage prices (the price paid for unmilled logs). Looking at stumpage prices over the last few years, it becomes obvious how timber prices have wildly fluctuated as a result of these global economic forces. Stumpage prices first started sliding during the forest products downturn in the early 1980's, then recovered strongly after the listing of the spotted owl in 1990, but have been declining steadily since 1994, with further losses projected in the near-term (Oregon Dept. of Forestry, 1998).

Stumpage Prices*
(mbf in 1997 Dollars)

Year	Stumpage Price	Year	Stumpage Price
1979	340	1989	277
1980	300	1990	290
1981	245	1991	278
1982	143	1992	410
1983	138	1993	623
1984	116	1994	560
1985	100	1995	538
1986	124	1996	464
1987	137	1997	476
1988	173	1998**	398

All figures are rounded to the nearest whole dollar amount.
** Preliminary estimate.
Source: Oregon Department of Forestry

This represents a fluctuation in county timber revenues by 623% between 1985 to 1993 based on prices alone! Basing county budgets on such rapidly fluctuating markets (largely driven by overseas market forces over which there is no control) has already created considerable disruption and budget instability at the county level. Fostering even greater dependence of county revenues on what has now become a rapidly fluctuating global timber economy will simply make counties even more dependent on economic forces over which they have no control and cannot predict. On the other hand, stabilizing those payments on a fixed percentage basis will allow counties the certainty they need to plan a budget.

For additional details and analysis of why timber dependency works against long-term community stability, please see *Timber Dependency and Community Well-Being*, prepared by the Institute for Fisheries Resources. A copy is enclosed as part of this testimony as ATTACHMENT A.

Current Proposals

Clearly it no longer makes economic sense to hold county budgets hostage to volatile and declining global timber markets. Nor does it appear likely that future federal timber supplies are going to grow – if anything, the decades of abuse of public lands, and the enormous backlog of restoration that will be necessary to restore forest ecosystems on those lands, will require less timber harvesting and not more for the foreseeable future..

There are several competing proposals now on the table for how county revenues could be effectively 'de-coupled' from timber volumes and volatile stumpage prices and made more stabile. These are the salient points of each proposal:

The Administration: As I understand it, the Administration has proposed that county revenues paid by the Forest Service should be based on 76% of the average of actual timber receipts during the best three year period (whether or not consecutive) in the last ten years. At present, the Administration is proposing only that this provision shall apply to Forest Service lands, and not lands administered by BLM. The Administration is probably flexible on the exact formula however, and would not have any major objection to getting more money to the counties. The Administration's mechanism would also be in perpetuity as a guaranteed payment scheme, but does not index for inflation.

DeFazio Bill (H.R. 1185): Like the Administrtion's proposal, Rep. Peter DeFazio's H.R. 1185 would give the counties 76% of the average of their three *best* years (whether or not consecutive). The DeFazio bill, however, also *indexes for inflation* and additionally has a one-time-only opt-in or opt-out provision that must be made within a five year period. While this is probably unnecessary, we see no particular problem in allowing states to chose which path they follow so long as the choice is definitively made and final. Furthermore, DeFazio's bill also extends this concept specifically to Bureau of Land Management (BLM) lands. This is especially important for the State of Oregon because of the unique situation in Oregon with 'O & C lands.' Much of these O & C lands are managed by BLM, not the U.S. Forest Service, and payments from both need to be stabilized.

'National Forest Counties and School Coalition' Proposal: This proposal (recently introduced as H.R. 2389) is sponsored by a group of some (but by no means all) of the counties and local school districts potentially affected by such a change. Their plan is to set the payment level at 100% of the best year in the last 10 years, plus allow an annual 'either/or' choice provision for *each county, for each year* so that they could chose to base revenues on actual harvest receipts or not in each year.

Their bill also would establish special management 'Advisory Committees' in each forest region (composed of county and school officials, but excluding any members represent other public interests) who would thus get an 'inside track' with the managing agency, apparently to try

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to affect forest management policy to push it in the direction of increased harvests. Like the DeFazio bill, it also asks that payments be indexed.. However, in their scheme the whole issue would be only a temporary solution, with a long-term solution supposed to be worked out within four years.

This latter proposal is a total non-starter. This proposal appears to be based on a whimsical hope that somehow federal timber harvests will return to the 'good old days' of high harvest levels that got us into the current forest health crisis to begin with. This is highly unlikely within our lifetimes, nor would it be good forestry, for those levels were clearly unsustainable. Also, their 'either/or' annual option provision would just perpetuate a county incentive to press for unsustainable harvests at the expense of long-term forest health, in order to fill out voracious county budgets and support more county bureaucracy. And finally, the annual 'either/or option' would result in an annual administrative nightmare as well as create uncertainty on a year-by-year basis about the level of payments to any given county. Nor would this bill create a permanent solution, as would the DeFazio bill and Administration proposals

How Counties Have Responded

Many counties have endorsed the Administration's plan for 'payment stabilization,' and see it as a necessary step toward finally stabilizing county budgets. Counties on record as supporting payment stabilization now include: Alpine County (CA); Lewis County (WA), Benton County (OR); Pitkin County (CO); Humboldt County (OR); Blaine County (ID); Coconino County (AZ), San Miguel County (CO); Whatcom County (WA); Ouray County (CO); Teton County (WY); Baker County (FL), and doubtless many others.

Most importantly, Lane County (OR) is the recipient of the largest amount of forest service payments in the State of Oregon, and its Commissioners have unanimously endorsed payment stabilization. Lewis County (WA) is the second largest recipient of forest service payments in the State of Washington, and has also endorsed stabilization. Coconino County in Arizona is that states recipient of the largest amounts of forest service payments. In other words, these counties, who are the most affected by the current payment scheme, have each endorsed this plan.

Oregon's Governor Kitzhaber has also expressed written support for the concept of payment stabilization, including indexing for inflation. A copy of his letter is attached to this testimony as ATTACHMENT B.

What a Good Bill Should Contain

Within the debate over the provisions, merits and demerits of the Administration's proposal, Rep. DeFazio's bill (H.R. 1185), and the county proposal lies the seeds of compromise and the components of a good bill. To our view, such a bill should contain the following elements:

(1) Fixed payments set aside <u>in perpetuity</u> -- Funds should be payable from a Trust Fund

managed by the U.S. Treasury to be supported in part by timber revenues and in part from other sources at guaranteed amounts sufficient to pay obligations. Both the DeFazio bill and the Administration's proposal accomplish that goal.

(2) Indexed for inflation -- This is not a battle we want to reopen over and over again over time. All proposals except the Administration's support that goal, though the Administration is flexible on this but needs Congressional approval.

(3) No special deals for special interest groups -- These are public lands, and every federal taxpayer has an interest in their management. No special interest group should get an 'inside tack' to affect forest management policy to help pad county budgets and bureaucracies at the expense of public resources. Any viable proposal must be 'management neutral' (i.e., the current situation, which already provides for considerable public and county input would remain unchanged). Counties already have considerable sway over the management process.

(4) No 'either/or' annual cherry picking – Not only would rolling annual options be an administrative nightmare, it would simply perpetuate incentives to overharvest or to sacrifice long-term forest health for short-term gains.

At this point in time, some mix of the Administration and DeFazio approaches would be viable, perhaps with a higher formula amount somewhere between the county coalition proposal and the other two. Any bill which meets the above criteria would probably be acceptable to a broad coalition.

However, the county/schools group coalition needs to recognize that if they do not cooperate in negotiating a deal this year, it will become harder and harder to pass needed reforms, and they may get nothing in the long run.

Conclusions

In the end, continuing to hold county revenues hostage to a rapidly fluctuating, highly globalized, and regionally declining industry (increasingly subject to severe boom-bust cycles caused by international market forces beyond its control), simply will not lead to community stability, nor to stable county revenues. Counties need stable payments upon which to plan.

Nor can current federal logging levels be increased for the foreseeable future without severe collateral damage to the economy in other areas (including fishing and tourism), as well as the loss of future long-term timber revenues sacrificed for short-term gains. The only solution which will assure counties a stable and guaranteed revenue stream is some mix of the payment stabilization options currently under discussion. An example of the fiscal impact, using figures for the State of Oregon, follows:

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Comparison of Current vs. Proposed Payments to Oregon Counties (1998)

County	1998 Actual[4] Payment	76% of 3 yr.[5] high average	Difference
Baker	$1,401,042	$1,751,303	$ 350,261
Benton	304,013	380,016	76,003
Clackamas	4,342,655	5,428,318	1,085,663
Coos	493,002	616,252	123,250
Crook	157,808	197,260	39,452
Curry	3,445,759	4,307,199	861,440
Deschutes	2,951,082	3,688,852	737,770
Douglas	13,685,099	17,106,374	3,421,275
Grant	1,438,263	1,797,829	359,566
Harney	404,227	505,284	101,057
Hood River	1,768,979	2,211,224	442,245
Jackson	3,922,982	4,903,728	980,746
Jefferson	532,199	665,249	133,050
Josephine	1,885,670	2,357,088	471,418
Klamath	9,154,121	11,442,651	2,288,530
Lake	1,401,042	1,751,303	350,261
Lane	20,697,309	25,871,636	5,174,327
Lincoln	3,205,646	4,007,057	801,411
Linn	6,880,097	8,600,121	1,720,024
Malheur	2,361	2,951	590
Marion	2,599,267	3,249,084	649,817
Morrow	68,280	85,350	17,070
Multnomah	658,806	823,507	164,701
Polk	5,927	7,409	1,482
Tillamook	1,704,614	2,130,767	426,153
Umatilla	192,919	241,149	48,230
Union	323,747	404,684	80,937
Wallowa	536,634	670,793	134,159
Wasco	1,829,208	2,286,510	457,302
Wheeler	66,104	82,630	16,526
Yamhill	473,876	592,345	118,469
STATE TOTALS =	$85,505,549	$106,881,811	$21,376,362

[4] Source: US Forest Service figures. Counties covered by the NW Forest Plan receive 'safety-net' payments on a declining balance through 2003, at which time payments revert to a straight 25% once again.

[5] Displays county distributions based on same prorata share they would have received in 1998, if calculated according to the Administration proposal at 76% of the average of the highest past three years of ten. The DeFazio bill (H.R. 1185) contains the same formula.

Timber Dependency and Community Well-Being

The Economic Realities of Timber Dependent Economies in Coastal Oregon

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for the

House Resources Committee
Washington, DC
July 13, 1999

ATTACHMENT A TO TESTIMONY OF GLEN H. SPAIN
Pacific Coast Federation of Fishermen's Associations (PCFFA)

Timber Dependency is Not Equal to Community Stability

Historically, because of direct linkages between timber volume harvested and payments to counties, county budgets have become highly dependent upon timber harvests within their counties. However, over the past decades, the market for timber commodities (and with them linked payments to forest-dependent communities) have been in long-term decline, largely due to the following three factors:

1) Globalization of the industry, leading to increased supply and intensified competition, leading in turn to greater automation and causing downward pressure on timber industry wages.
2) Cyclical trends and close linkage to larger demand-side economic trends (for example housing starts), leading to periodic industry downturns.
3) Shifting working conditions, manifested by industry restructuring, price squeezes, steady replacement of a professional unionized workforce with outside contract labor, and a relatively low level of education needed to perform most types of work, which limits options for retraining.

Thus an increase in local timber harvests will not necessary translate to higher county revenues. Fostering greater dependence of county revenues on what has now become a rapidly fluctuating global timber market may, in fact, simply make it more dependent on economic forces over which it has no control.

Nor does increasing timber harvests necessarily make sense as a source of community stability. As a matter of rural development and land management policy, a little-questioned assumption has existed, until relatively recently, that the management of forest resources and other renewable resources, such as forage, on a sustained yield basis would automatically lead to community stability. The prevailing view was that a non-declining, even flow of timber would better ensure its long-term supply, anchoring communities in place and over time. However, under that model "stability," in contrast to "community well-being," was measured only in narrow economic terms, such as by employment and personal income statistics (Freudenburg, et al., 1994 and Lee, Robert, et al., 1990).

Recent research (Power, 1996a and Freudenburg, et al., 1994) has seriously called into question the long-term prudence of basing economic development on the forest products industry, one of the most volatile manufacturing industries in the American economy and one heavily dependent on housing starts. For example, research by Tom Power correlates the dominance of the timber industry and lower average income at the county level. William Freudenburg has done research as well showing the limited and short-term benefits to a rural economy of boosting extraction opportunities, such as timber production. He found that in the longer-run, economic development is likely to be hindered by this dependency because commodity prices have not kept pace with inflation, leading to price squeezes. Louise Fortmann and Jonathan Kusel similarly question the foundations of the community stability concept itself, and in particular the notion that more resource extraction provides a greater net benefit:

> Disincentives for stable employment, preference for younger and cheaper labor that leave the less mobile and less trainable older worker out of work, cycles of market activity that carry with them high rates of unemployment, injury and illness rates and fatality rates that top all other employment categories are not attributes of a stabilizing industry, no matter how stability is defined (Fortmann, et. al., 1989. p. 47)

The timber industry is increasingly marked by short-term fluctuations and, as a mature industry, long-term decline. According to Tom Power, between 1979-1982, 55,000 jobs (1/3 of the workforce) were lost in wood products industry employment in the Pacific Northwest. While there has since been some rebound, this downturn was primarily due to slack demand, globalization and automation, not constrained supply from environmental regulations. In fact, the number of jobs per million board feet logged continues to slide due to a complex mix of automation, driven by increased global competition, and increasingly cost-competitive substitutes.

As an example, according to the *1998 Regional Economic Profile: Region 1*, published by the Oregon Employment Department (OED), over half of all the lumber and wood products jobs lost in Tillamook and Clatsop Counties since 1980 have been due to productivity increases. Of note, lumber output has generally been rising since 1990 for the region, reaching decades high levels in 1994 and 1996. Yet the timber industry workforce, however, is only a fraction of the size of the pre-1980 level. In 1979, 3.5 workers were employed per million board feet harvested in Tillamook and Clatsop Counties; in 1995, only 1.5 (Oregon Employment Department, 1998a). A similar situation prevails in other timber-dependent counties throughout the west and most of the nation.

Globalization and the Timber Industry

In order to maintain profit margins in the context of intensified global competition, Northwest timber processing firms have boosted productivity by increasing the automation of their operations. Underlying this trend is an abundance of global timber supply sources from such countries as Canada, Chile, and New Zealand. This has exerted downward pressure on prices, further contributing to decreases in the number of firms remaining competitive in the industry, contraction of total employment in the industry, and reductions in compensation packages (for typical accounts of this see Register Guard, October 26, 1998, "World glut of goods not wise in long term" attached). This has also been evidenced by widespread increases in the use of cheaper outside contractors and consequent severe decline in union membership and employee benefits.

Research published by David Brooks of the Forest Science Laboratory in Corvallis, Oregon and recently summarized in *Science Findings*, a monthly publication of the Pacific Northwest Research Station, projects a moderate rate of increased global demand for industrial roundwood due to slow increases in income and consumption in developed countries. This slow demand growth trajectory should likewise keep prices depressed. Between 1970-1990, the annual growth rate in world consumption of industrial

roundwood was only about 1.5%. The projections for 1990-2010 are approximately .02% annually (Brooks, 1998).

Stumpage values in Oregon are projected to decrease over the next few years and then rebound, due to less than projected supplies from Canada and the southeastern United States (Gary Lettman, Oregon Department of Forestry, 1998). Nonetheless, commodity- and export-driven approaches to local community development are inherently risky—stumpage prices cannot be controlled by any local community in a global marketplace. This was readily seen in the timber recession of the early 1980's from a demand standpoint and is a real threat today from a supply standpoint. The global economic downturn for many developing countries will likely exacerbate oversupply issues, as countries are eager to earn foreign currency and service debts by liquidating their forests. Also, decreasing transportation costs from stump to mill often times make it more cost-effective to process saw logs outside of timber supply areas, causing potential economic benefits to leak from the local community. It is no longer uncommon for logs from Oregon to be milled overseas.

Gone are the days when proximity to forest resources automatically translated into local processing jobs. Now, the key to prosperity is not augmenting supply but rather adding value to raw material, and developing secondary processing industries while at the same time protecting the local environment. In today's economy, local community well-being is increasingly correlated with education and skill levels as well as proximity to markets and abundant environmental amenities (Power, 1996).

After the recession in the forest products industry in the early 1980's, the timber industry in the west went through a protracted period of restructuring. This was typical of many other manufacturing sectors during the same time period which were caught in the last stage of a profit cycle. During this last cycle, subsequent to domination, market decline lead to serious price squeezes. In the 1980's in the Pacific Northwest, inefficient mills were closed, those remaining in operation were the ones that were automated, compensation for workers was reduced, and more work was contracted out. Increasing mill size and greater centralization also contributed to less local timber industry employment.

Although demand for timber from the Pacific Northwest once again rose in the late 1980's, to a high of 16 billion board feet in Washington and Oregon in 1988, it is important to note that there was no concomitant rise in timber industry employment. For example, research by Annabel Cook indicates a generalized *increase* of poverty in western Washington for forest-dependent communities during this period, coinciding with the restructuring of the timber industry (and *well prior* to the listing of the northern spotted owl as endangered). Even more telling, comparable rural communities which were less dependent on timber, fared much better during this period (Cook, 1995). While a linear regression can only establish a correlation, and not cause and effect, at a minimum this research suggests a real divergence between forest industry and local community interests.

Intensive forestry as a provider of local "community stability" has been roundly criticized -- including by the Forest Service itself, at one time a major booster of the concept. Writing in the *Journal of Forestry* about community stability research findings from the Interior Columbia Basin Ecosystem Management Project (ICBEMP), the authors comment:

> The idea of community stability is a myth that belies a variety of influences, including the volatility of markets for timber, mining and other traditional extractive industries; the actions of private companies in modernizing, closing, and reopening plants and periodically laying off or terminating workers.... decreasing employment in resource industries as a result of all these changes; and the rapidly increasing in-migration of new kinds of workers and residents (retirees, new ethnic groups, etc.) into many of these communities (Harris, et al, 1998. p. 14).

The Forest Service has now expanded somewhat upon the concept of community stability to include resiliency and economic diversification, as well as other non-economic factors, such as civic leadership, social cohesion, and the presence of amenities (Harris, et al, 1996). The community stability concept has now evolved into "community well-being" and "community capacity," concepts that also encompass physical infrastructure, human capital, and social capital. Again, writing about community stability prior to these changes, Fortmann and Kusel note the following historical shift in emphasis:

> Early agency attempts to operationalize the concept included consideration for family life, social and educational opportunities. The concept of community stability as it is used today no longer includes those community welfare concerns. The agency has focused on employment in the timber industry as the totality of community stability and pursued it indirectly as a byproduct of industry prosperity. Hence, the recent use of the community stability concept is misleading. It serves as a preformed and unanalyzed definition of policy goals that casts Forest Service support for industry positions in a public spirited slogan with an ostensible scientific base. Basic issues are hidden...most importantly, from communities and regions whose livelihoods and well-being are defined in terms of stable supplies of public timber for forest industries (Fortmann, et al, 1989. p. 44).

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Table 1-1
A Changing Oregon Economy

Average Annual employment

Year	Total	Lumber & Wood	Wholesale Trade	Retail Trade	Services	FIRE*	Timber Harvest Private	Timber Harvest Public
1980	1044.72	69.816	67.352	188.132	191.489	69.847	3,443	3,196
1981	1018.742	63.871	66.942	186.382	192.199	68.499	3,037	2,856
1982	980.869	56.611	62.664	175.971	188.554	64.987	3,758	2,000
1983	966.46	62.838	62.608	179.886	194.524	64.499	3,773	3,691
1984	1008.285	68.64	64.499	188.391	204.438	65.378	3,488	4,084
1985	1029.442	63.599	65.839	192.711	215.588	69.842	3,756	4,371
1986	1057.975	64.586	67.393	199.805	230.174	69.474	3,851	4,892
1987	1099.472	68.071	69.227	208.372	244.276	72.073	3,849	4,586
1988	1155.722	68.843	72.904	219.491	263.121	73.238	3,679	4,936
1989	1203.439	67.29	76.42	230.721	278.716	72.286	4,057	4,363
1990	1244.571	64.074	78.638	235.578	291.089	75.504	3,501	2,718
1991	1244.692	56.824	79.207	235.147	296.828	77.172	3,525	2,546
1992	1267.417	54.713	79.577	239.029	311.701	79.373	3,856	1,850
1993	1308.308	53.494	80.59	248.224	328.155	84.572	3,809	1,685
1994	1362.907	54.213	84.772	259.36	343.133	87.79	3,571	645
1995	1418.345	52.425	88.82	269.086	362.897	87.219	3,638	680
1996	1474.726	51.448	89.315	278.578	382.569	90.94	3,120	812
1997	1524.648	51.778	93.117	284.311	400.537	95.083	3,400	700
1998	1564.986	50.413	96.507	291.82	416.207	97.274	3,106	668
1999	1597.618	48.878	98.101	299.572	427.926	99.643	3,212	700
2000	1625.526	49.122	101.364	304.945	445.013	100.433	3,317	700
2001	1665.222	48.869	105.285	311.76	463.91	102.852	3,367	700
2002	1699.624	48.458	108.981	316.952	479.137	104.917	3,367	700
2003	1737.392	47.99	112.858	322.786	495.753	106.573	3,400	700
2004	1774.124	48.021	116.589	328.311	511.422	108.111	3,441	700
2005	1810.269	48.092	120.019	333.722	526.628	109.708	3,445	700

Employment Data in in Thousands

Millions of board feet

*Finance, Insurance, Real Estate

Source: Oregon Department of Administrative Services, September 1998 Oregon Economic and Revenue Forecast

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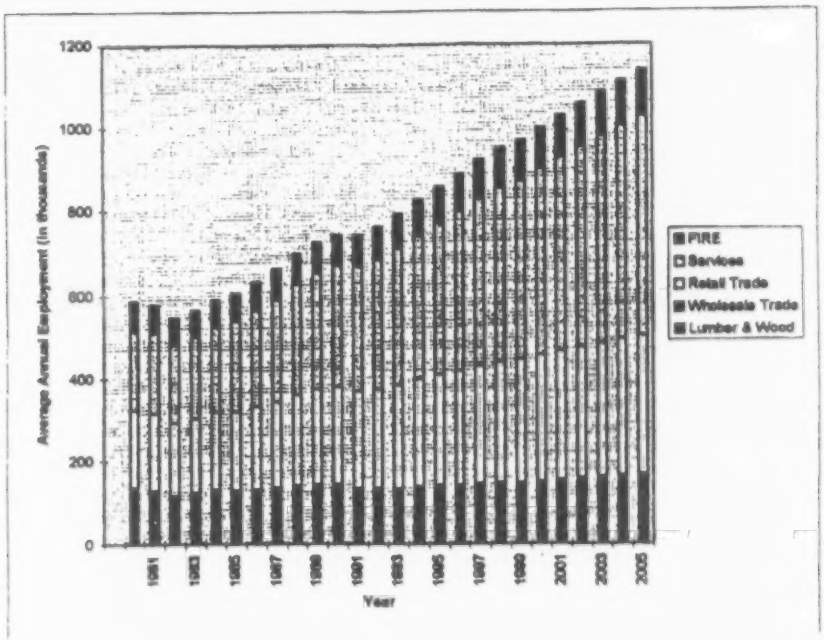
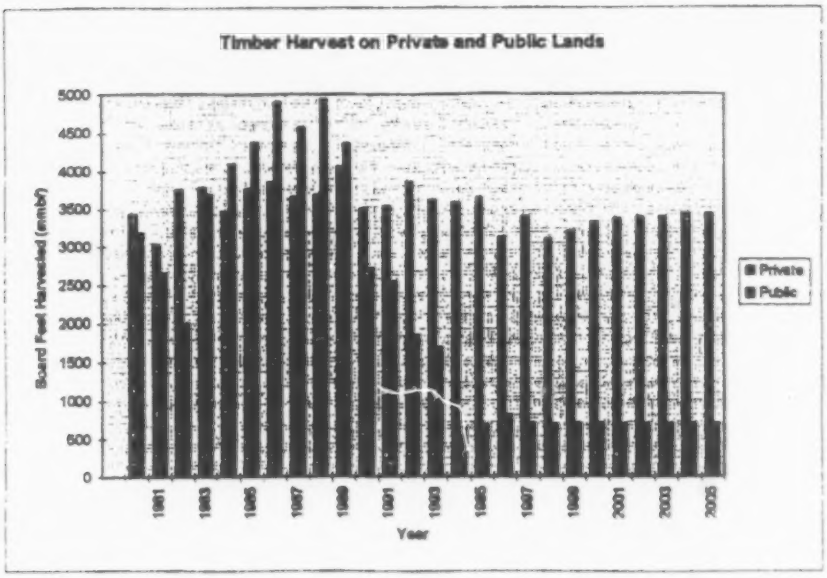
Figure 1-1
A Changing Oregon Economy



Changes in individual counties parallel broader statewide changes and reflects the decline of resource extraction industries and the rise of the service sector, such as high tech and trade. Counties that are able to take advantage of these trends through diversification can capture these economic benefits.

Figure 1-2



Oregon Forestry: Past, Present, and Future

The evidence all points to the long-term decline of the lumber and wood industry relative to other sectors of the nonmanufacturing economy for Oregon. Increased global competition coupled with the demand-side downturn of the early 1980's caused some mills to modernize, others to consolidate, while those companies that could not simply went out of business or were bought out by those who could.

This is not a new phenomenon, nor is it particularly a result of more recent environmental restrictions on federal lands. It is true that declining federal timber harvest levels at the statewide level have had some adverse impact on the macro-economy of Oregon, even in localities in which little or no federal land is found. Figure 1-2 shows dramatic reductions in federal timber harvest levels, largely due to environmental constraints, since 1993. However, recent job declines are more directly linked to the timber industry's inability to offset reduced federal supply from private lands simply due to an historic record of over-harvest on private industrial timberlands and its difficulty in retooling processing mills for smaller saw logs. Environmentally driven economic shortfalls were also offset in large part by higher stumpage prices for private timber as supply failed to meet demand (Table 1-3), driving and keeping stumpage prices at historic highs. Furthermore, the major shrinkage of the wood products industry predates environmentally driven federal timber supply reductions by at least a decade.

The conclusion can only be that these declines were therefore primarily driven by market forces and restructuring caused by globalization and automation, as shown by the tables below.

Automation particularly has led to timber industry layoffs, as the ratio of workers needed to produce a million board feet of milled lumber has consistently declined since 1982. The declining ratio of workers per million board feet milled holds true for Oregon counties, as for the rest of the country. Increased competition globally has simply spurred greater substitution of technology for labor. According to the Oregon Employment Department:

> Lumber output within Region 1 has been generally rising since 1990, reaching decades-high levels in 1994 and 1996, but doing so with a work force that is only a fraction of pre-1980 years (Oregon Employment Department, 1984).

Table 1-2 and Figure 1-3 illustrate this clearly. While these figures were prepared for analysis of the Tillamook and Clatsop County economy (two of Oregon's most timber-dependent counties), similar trends prevail throughout the region. More detailed figures specifically for other Oregon counties could be obtained from the same sources.

Table 1-2

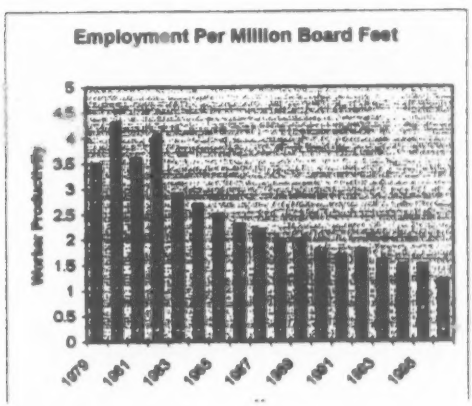
Tillamook/Clatsop Lumber Productivity
(Workers Per Million Board Feet*)

Year	Productivity
1979	3.5
1980	4.3
1981	3.6
1982	4.0
1983	2.9
1984	2.7
1985	2.5
1986	2.3
1987	2.2
1988	2.0
1989	2.0
1990	1.8
1991	1.7
1992	1.8
1993	1.8
1994	1.5
1995	1.5
1996	1.2

*Productivity based on data interpolation.

Source: Oregon Employment Department, 1998 Regional Economic Profile, Region 1.

Figure 1-3



Competition has intensified within the U.S. as well, especially with respect to paper. Supply is abundant, with the southern states poised to capture a sizable market share. In addition, labor laws are often more lax in the south and abroad, which exerts a downward pressure on wages overall. Several large former Northwest companies (e.g. Louisiana Pacific) have now relocated to the south or opened operations abroad, taking their job base with them. Other factors which can negatively impact the feasibility of paper mills in the region relate to the supply and cost of chips for the mills and the cost of pollution abatement technology. Globalization of the industry has made all this possible.

How do all these factors affect local rural county economies? Clearly, local communities are less economically stable in the long-term to the extent that they are financially dependent on export-led timber, with its inherent boom-bust vagaries from both a supply-and demand-side. Stumpage prices first started sliding during the forest products downturn in the early 1980's, then recovered strongly after the listing of the spotted owl in 1990, but have been declining steadily since 1994, with further losses projected in the near-term (Oregon Department of Forestry, 1998).

Table 1-3

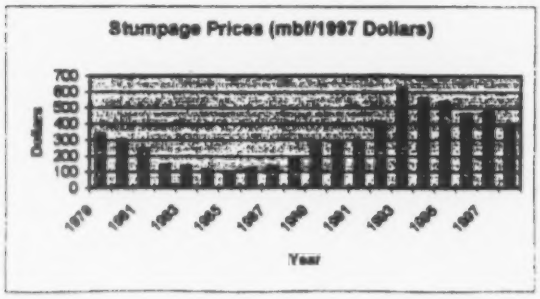
Stumpage Prices*
(mbf/1997 Dollars)

Year	Stumpage Price
1979	340
1980	300
1981	245
1982	143
1983	138
1984	116
1985	100
1986	124
1987	137
1988	173
1989	277
1990	290
1991	278
1992	410
1993	623
1994	560
1995	538
1996	464
1997	476
1998**	398

*All figures are rounded to the nearest whole dollar amount.
**Preliminary Estimate.

Source: Oregon Department of Forestry, 1998.

Figure 1-4



This represents a fluctuation in county timber revenues by 623% from 1985 to 1993 based on prices alone! Basing county budgets on such rapidly fluctuating markets (largely driven by overseas market forces over which there is no control) has created considerable disruption and budget instability at the county level.

Additionally, intensive timber production can detract from important environmental and economically valuable amenities, which are a primary driver of economic diversification and greater integration with the regional economy. For example, externalities from intensive forestry can silt up salmon spawning and rearing habitat, increase water temperatures, and lower the concentration of dissolved oxygen, all of which are important parameters in recovering threatened salmonids. Salmon production and other fisheries are an important economic resource which coastal counties are jeopardizing by pushing for excessive timber harvesting, in large part because of historic linkages between short-term county revenues and activities which can in the long-term (if not carefully limited) ultimately destroy watershed integrity and seriously increase siltation and flooding.

National forests are also the primary headwaters for most of Oregon's water supply. The economic value of abundant, clear and clean water to Oregon's communities is immense. Businesses locate in those communities in part for, and population levels are limited by, access to potable water. Increased siltation linked to increases in logging road density, clearcutting on unstable soils and other impacts of intensive forestry may also jeopardize the integrity of municipal water supplies – or at a minimum greatly increase the need for expensive filtration systems. The City of Portland, for instance, enjoys some of this country's purest unfiltered water primarily because of logging restrictions imposed on federal lands in its Bull Run watershed. Failure to protect that watershed (owned mostly by the U.S. Forest Service) would be catastrophic for Portland's economy. This is typical of many other cities as well.

In short, the value and economic utility of environmental amenities from Oregon's federal forests can be expected to appreciate over time. However, lumber and forest products will continue to depreciate in net social value, both as a percentage of the regional and state economy and relative to protecting other forest uses, such as recreation, which better sustain environmental health and enhance the livability of the area. At best, and for the foreseeable

future, economic globalization means that the U.S. forest products industry is likely to remain subject to worldwide price fluctuations, increased competitive pressures from global market forces beyond U.S. control, and a shrinking permanent workforce caused by continued reliance on automation, outside contracting and outsourcing.

Table 1-4

Percentage of Lumber and Wood Employment to Total Oregon Economy

Average Annual Employment

Year	Total	Lumber and Wood	*Percentage of Lumber and Wood Employment to Total Economy
1980	1044.72	69.616	7%
1981	1018.742	63.671	6%
1982	960.889	55.611	6%
1983	966.46	62.638	6%
1984	1006.265	66.64	7%
1985	1029.442	63.599	6%
1986	1057.975	64.586	6%
1987	1099.472	68.071	6%
1988	1155.722	68.843	6%
1989	1203.436	67.29	6%
1990	1244.571	64.074	5%
1991	1244.692	56.624	5%
1992	1287.417	54.713	4%
1993	1308.308	53.494	4%
1994	1362.907	54.213	4%
1995	1418.345	52.425	4%
1996	1474.726	51.449	3%
1997	1524.649	51.778	3%
1998	1584.989	50.413	3%
1999	1587.618	48.876	3%
2000	1625.526	49.122	3%
2001	1665.222	48.869	3%
2002	1699.624	48.456	3%
2003	1737.392	47.99	3%
2004	1774.124	48.022	3%
2005	1810.269	48.092	3%

* Percentages are rounded to the nearest whole amount.

Employment data in thousands.

Source: Robert Silverman, data from Oregon Department of Adminstrative Services, September 1998 Economic and Revenue Forecast.

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Figure 1-5

Percentage of Lumber and Wood to Total Oregon Economy

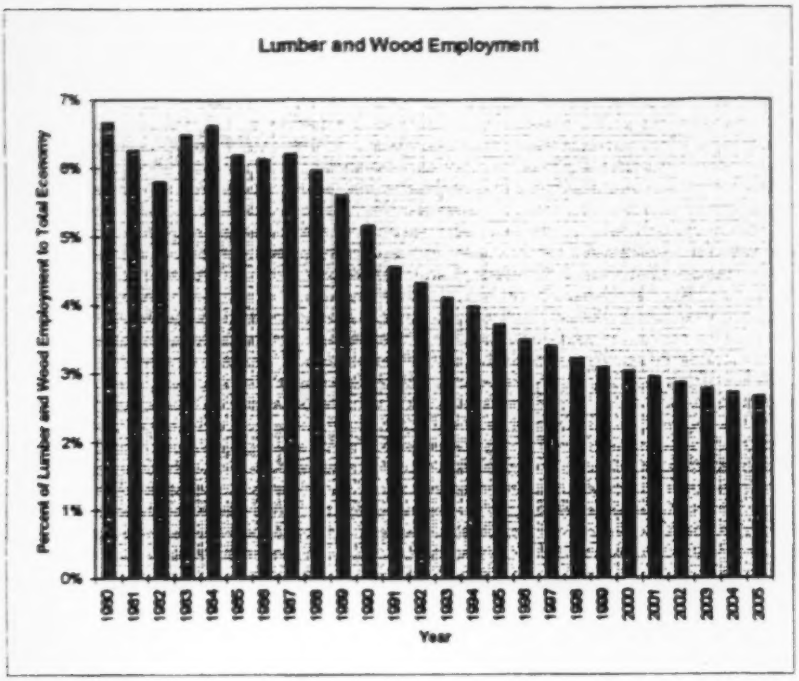
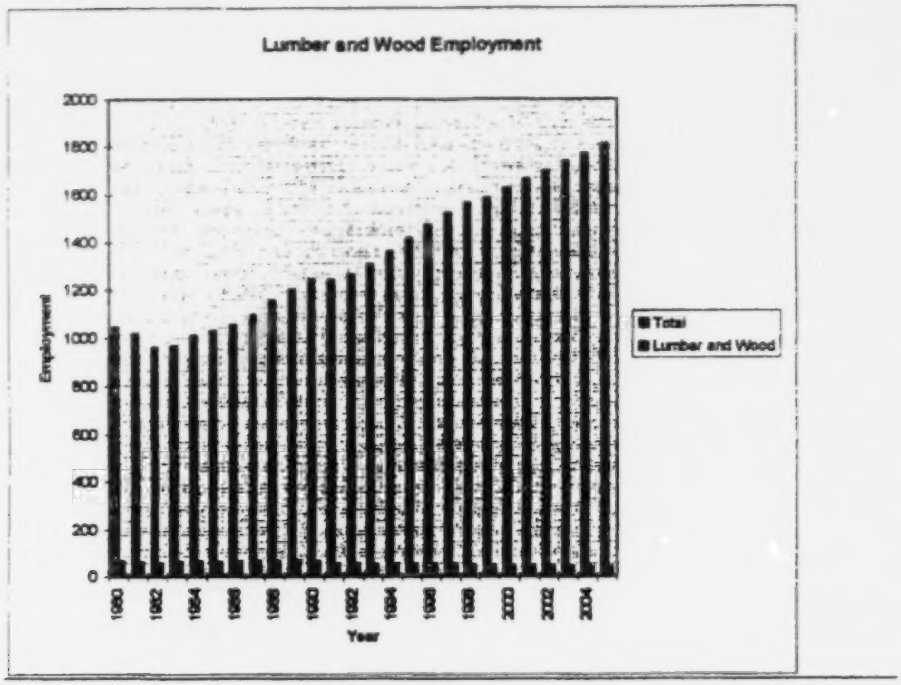


Figure 1-6

Declining Share of Lumber and Wood Employment in Oregon State Economy



Timber Subsidies and Externalities

The taxpayers of Oregon (as in other states) subsidize the timber industry through a variety of mechanisms, and also absorb many of the externalized economic costs of its operations in terms of damage to the environment, including economic costs due to damage to salmon spawning and rearing areas. Table 1-5 quantitatively captures one of these public subsidies in terms of unemployment insurance payments. Shortfalls between monies paid into the unemployment insurance program and monies paid to dislocated timber workers represent a subsidy or cost caused, but not borne, by the timber industry. What is especially noteworthy is the cascading nature of the subsidy—forest practices externalities caused damage to Oregon's salmonid

spawning and rearing habitat, which in turn also contributed to dislocations in the commercial salmon fishing industry as well.

Table 1-5

Unemployment Insurance

	*Fishing, Hunting, and Trapping SIC 09		Lumber and Wood Products SIC 24	
CY	Tax Assessments	Regular Benefits	Tax Assessments	Regular Benefits
1997	564,175	2,186,783	25,849,899	30,818,190
1996	580,484	2,092,857	24,882,100	38,454,974
1995	483,085	1,702,172	17,365,882	38,385,955
1994	410,809	1,823,161	19,886,722	38,336,353
1993	536,812	1,536,634	30,039,883	42,734,104
1992	566,082	1,466,381	30,073,896	49,049,275
1991	507,932	1,788,515	28,132,311	66,156,898
1990	580,346	1,320,939	31,919,254	43,889,002
1989	640,548	1,212,892	34,795,981	33,868,125
1988	583,444	1,121,320	34,132,031	30,473,488
1987	580,179	868,895	33,765,242	30,790,855

*Negible for hunting and trapping
Source: Oregon Employment Department

Figure 1-7

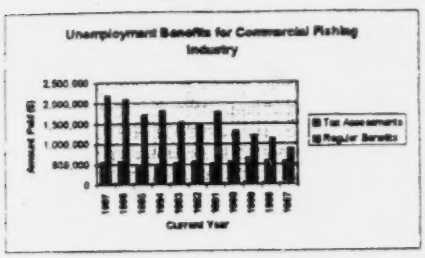
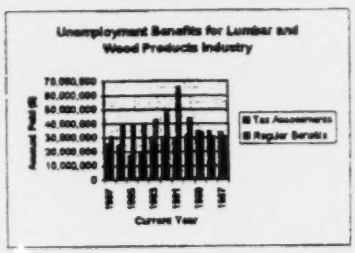


Figure 1-8



Another obvious externalized environmental cost which contributed in turn to dislocations in timber-related employment was the over-harvest of old growth forests, an unfortunate legacy of a boom-bust timber economy. Virtually all of the remaining old growth in the Pacific Northwest, including in Oregon, is now on federal lands. In response to the federal withdrawal of large diameter logs from the marketplace, coupled with the depletion of old growth inventory on private lands, and driven by an intentional investment policy (in response to global competition) of industry centralization, many smaller and community based mills in the region simply had to close because owners never retooled to process smaller diameter logs.

Without the substantial investments in time needed to regrow forests to mature forest conditions (80-120 yrs. for Douglas fir), then ever smaller trees, declining quality of sawlogs, and short-rotation forestry will continue to lead to a reduction in volume per acre as well as stumpage values.

In effect, intensive forestry represents an *intertemporal subsidy*. Present generations borrow—at fire sale interest rates— from future generations by drawing down standing timber volume on a per acre basis. Current market prices simply do not consider how thinning enhances saw log quality over time (arguably, the region's market niche) and sustains inventory, nor how frequent stand removal decreases timber quality and depletes long-term forest inventory over time.

In the long-term, forest habitat conditions, aquatic systems, and water quality will be improved, as well as stem size and product quality increased, by protecting ecologically sensitive areas from logging disturbances altogether, and by using uneven-aged silviculture and long-rotation management in others. This is in large part the new direction the U.S. Forest Service seems to be going under Chief Dombeck. What this implies, however, is that harvest levels on federal lands will need to be based on long-term biological sustainability, not on short term monetary gains to county budgets. From a variety of sources, all indications are that biological sustainability will require not only considerable ecosystem restoration, but much longer forest rotations, and this will mandate that harvest levels remain at or below their current level for the foreseeable future.

Short of making this long-term investment, however, both the quality, quantity and economic utility of Oregon timber products will continue to decline. Likewise the U.S. timber industry as a whole, including federal timber dependent portions of the industry, will continue to be subject to globalization, market boom-bust cycles, continued centralization favoring mills largely outside rural areas, increasing wage pressure, increasing automation and consequent declining employment, and declining employee wage/benefit scales for the foreseeable future.

Conclusion

In the end, continued coupling of county revenues to a rapidly fluctuating, highly globalized, and regionally declining industry (increasingly subject to severe boom-bust cycles caused by international market forces beyond its control), simply will not lead to community stability, nor to stable county revenues.

Nor can current federal logging levels be increased for the foreseeable future without severe collateral damage to the economy in other areas, including the loss of future long-term timber revenues sacrificed for short term gains. The supply of harvestable trees is not unlimited, nor were past harvest levels biologically sustainable. The industry has simply reached the natural biological limits beyond which it cannot go without creating severe and economically costly environmental damages elsewhere in an increasingly integrated economy.

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Register-Guard 10/11/98

World glut of goods not wise in long term

■ Economy: The wood products trade is a mirror of how the globe is awash in unneeded stuff.

By EVELYN IRITANI
Los Angeles Times

There was a time when low interest rates and a housing boom would have translated into higher prices and a cause for celebration at Sierra Pacific Industries, the Redding, Calif., wood products giant.

But instead of popping corks, Sierra Pacific and other U.S. wood products companies are shutting down production lines, trimming jobs and bracing for another drop in prices that have already plummeted as much as 40 percent in the past 18 months.

The reason: Too many countries are producing too many things made of wood.

For the first time, these companies are facing stiff competition in their own back yard — not just from Canada but from Chile, New Zealand, Austria and Finland. Those countries are edging out U.S. companies in Asian markets, where the strong dollar has become a penalty.

"Losing markets in Asia wasn't nearly as bad as having that (foreign) product coming here," said Stan Blaine, marketing coordinator for the Wood Molding and Millwork Producers Association of Sacramento, Calif. "Only a certain number of our members were shipping to Japan. But when the foreign product came here, it affected a lot more people."

The wood products business is

Turn to GLUT, Page 8A

GLUT

Continued from Page One

symptomatic of a global glut of apparently unprecedented scope — of everything from wood frame windows to automobiles, apples, semiconductors, oil, steel and more.

In a phenomenon that is both a cause and an effect of the Asia crisis, the world is awash in unneeded stuff.

This is where today's economic flat tire meets the road — where the chaos of financial markets translates into tangible woes in the "real" economies at home and overseas, closing factories, throwing workers on the street and putting companies out of business. It is a big reason why, even after financial markets stabilize, today's global economic crisis will linger for years.

And it is at the core of deflation, an economic condition so unfamiliar to today's Americans that it needs explaining: It's when prices go down, not up.

Sounds good, but if deflation cuts too deeply into the revenues of manufacturers, farmers and governments, it leads to production cutbacks, bankruptcies and rising unemployment. Falling prices erode the value of the assets of banks, which prompts them to cut back on lending. Nervous consumers start expecting prices to drop even further, so they put off spending.

It was largely to prevent the nation from falling into that downward spiral, one that has dogged Japan for years, that the U.S. Federal Reserve has slashed interest rates twice in recent weeks. The idea is to encourage spending and borrowing by making it cheaper.

Deflation can be destabilizing in other ways. Low oil prices are threatening the political stability of key oil producing countries in the Middle East, Latin America, Eastern Europe and Asia. They fueled the recent economic collapse in Russia.

The deflation trigger was last year's abrupt collapse of Asia's fast-growing markets and the spread of fiscal instability to Russia and Latin America. Those events have thrust more than one-quarter of the world into recession and destroyed markets for thousands of products.

But today's all-encompassing glut has deeper roots.

It can be traced to the collapse of communism and the opening of Russia, China and India to the world economy; the dramatic and often unjustified expansion of manufacturing capacity fueled by "hot" capital seeking high paybacks, particularly in Asia; the success of trade liberalization efforts such as the World Trade Organization; and the creation of a technological, financial and transportation infrastructure that dramatically accelerates the movement of products and capital across national boundaries.

In simple terms, there is too much of nearly everything chasing too few buyers. Capital is not all that's moving across borders with lightning speed; so are goods — cars, apples, toys — by the shiploads. The good news is that auto prices are dropping in the United States to a level not seen since the 1980s.

But the flip side of declining prices is stepped up competition, consolidation and, eventually, lost jobs.

"There is nothing we can look at historically in the past that was a model for what's happening today," said David Cole, director of the University of Michigan's Office of the Study of Automotive Transportation. "With globalization, this stuff is happening very quickly. It's very brutal, very tough. It's not a business for the weak and faint of heart."

Globalization has made it all but impossible to limit the effects of overcapacity to one country or even one region. "One person's financial crisis becomes another person's financial crisis and through that you introduce a business cycle globally," Bosworth said. "The transmission isn't through demand and supply but financial markets."

As more countries enter the marketplace, it becomes difficult to predict prices or production because the actions of individual governments or large companies can affect the supply of goods entering the market. When U.S. producers dominated the wood business in this country, for example, it was much easier to figure out whether competitors would respond to a slump in demand by cutting production, shifting product type or developing new markets.

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JOHN A. KITZHABER, M.D.
GOVERNOR

May 20, 1999

The Honorable Ron Wyden
United States Senator
717 Hart Building
Washington DC 20510

Dear Senator Ron Wyden:

I would like to take this opportunity to share with you my thinking on the forest payments issue currently before Congress.

For much of this century counties in the Northwest have relied on receipts from harvest of federal timber to provide a foundation for their budgets. These funds have allowed counties to maintain roads and educate their children. Federal timber receipts have also permitted counties to free up other money to provide for important social services.

Significant reductions in the harvest of timber from federal lands in the Northwest have occurred over the past eight years as efforts to enhance habitat for sensitive and endangered species have increased. One of the effects of these reductions has been a drastic reduction – sometimes exceeding 80 percent – in the money available to counties to finance essential services.

The "spotted owl safety net," established in 1993, has provided westside counties with a stable, though declining, source of federal revenue to help them through the difficult transition. This safety net will expire in 2003, leaving these counties with inadequate revenues to fund critical county services.

Counties in eastern Oregon have seen reductions in timber harvest greater, in some cases, than those experienced by westside counties. Unfortunately, these counties have not received federal assistance to make up for the loss.

I support the decoupling of federal payments to counties from timber harvest receipts. The last decade has been a tumultuous one in terms of county financing of critical services. It is time we brought some stability to rural communities so that they may design a future with some confidence in a predictable revenue supply.

STATE CAPITOL, SALEM 97310-0370 (503) 378-3111 FAX (503) 378-4863 TTY (503) 378-4859

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I believe a proposal to decouple timber harvest receipts and county payments should:

- Apply to all forest counties nationwide
- Be based on a reasonable percentage of highest income years from the past decade
- Be automatically adjust for inflation

I oppose the "either/or" concept that would allow counties to choose between timber receipts or federal payments. It is not good policy to have the quality of our state's schools and the integrity of our rural transportation system dependent on the federal harvest of timber. The management of our public forest lands should not be driven, either directly or indirectly, by the need to produce timber revenue to pay for county services.

I would be happy to work with you to further these ends.

Best regards,

John A. Kitzhaber, M.D.

JAK/NR/sw

Mr. HILL. Mr. Spain, thank you very much for your testimony. We do have a vote on the final passage of the military construction. And so what I would do is recess, propose a recess for about 15 minutes, let's say until 10 after, and then we will pick up the testimony of the last two witnesses if that is agreeable with everyone.

Thank you very much. We stand in recess for 15 minutes.

[Recess.]

Mr. HILL. We will reconvene the hearing. Thank you all for your patience.

Our next panelist is Mr. Bobby Green, chairman of the Lane County Board of Commissioners. Mr. Green.

STATEMENT OF BOBBY GREEN, CHAIRMAN, LANE COUNTY BOARD OF COMMISSIONERS, EUGENE, OREGON

Mr. GREEN. Thank you very much for the opportunity to speak before this Committee. I really appreciate the opportunity. I would like to tell you about Lane County and much of this will sound very familiar to you and others. But I think it will be helpful in your process and ultimately hope it would lead to some sort of a decision at some point in time.

Lane County is one of the most unique counties in the United States. It is about the size of Connecticut with more than a third of a million people. Our land stretches from mountain ski slopes to ocean sea shores. Most Lane County citizens live in Oregon's second largest urban center, the Eugene-Springfield metro area.

We are a microcosm of the U.S. counties reliant on Federal forest policies. Forest land comprises 88 percent of Lane County. The United States Government, the U.S. Department of Agriculture, Forest Service, and the U.S. Department of Interior, Bureau of Land Management, owns more than half of the county, 54.2 percent to be precise. Lane County, Oregon is home to one of the largest combined Federal and O&C forest properties in the United States today. Because the county is more than half federally owned or managed, a unique partnership with the Federal Government was created almost a hundred years ago.

Since 1908, Oregon schools and local governments have had a good partnership with the U.S. Forest Service. Timber resources from the Federal lands are used to provide raw materials for developing industry and economic growth. Funds from selling these materials provide education for our citizens. The funds pay for the transportation system to get the raw materials to the market. They provide resources to the Federal agencies administering the lands. They assist the Federal Treasury. The partnership has worked extremely well in Lane County.

While we continue to diversify our economic base, the timber industry still provides 6,900 jobs in our county. Lane County's owl guarantee portion alone has provided an additional $22 million to help educate Oregon's children. In addition, it funded $66 million to maintain and modernize 1,500 miles of roads and bridges in Lane County's transportation system. These roads are heavily used by the timber industry and Federal agencies as timber moves to the mills and the marketplace.

National forest timber revenue is used to finance the planning, design and construction of new county roads and bridges. All of

these services are at risk of severe reduction or complete elimination on June 30, 2004, if no changes are made to the current system. That is when Lane County expects to lose close to $12 million a year. The history of the Oregon & California railroad lands, O&C, is long, unique, and quite colorful. Lane County's O&C lands comprise about 2.4 million acres of forest land managed by the BLM.

Before 1903, these lands were in private ownership and available as resources for local government taxation. Because the O&C railroad failed to comply with Federal law and after much litigation, including a case that went all of the way to the United States Supreme Court, these lands were revested in the Federal Government. In 1938, the Federal Government granted 50 percent of the revenues from the O&C land to counties.

With the partnership, counties could use the funds to provide vital public health and public safety services to its citizens, despite the fact that more than half of the county is exempt from taxation. In 1952, the O&C Association formed a partnership with the BLM, both parties agreed that one-third of the counties' share of timber revenues be reinvested in managing the lands to improve future harvests.

For years it worked extremely well, turning Oregon and California railroad lands into some of the country's most productive forest land. Unfortunately, just as counties were about to get a return on their investment, Federal forest policy changed. As a result, counties did not get the return. Over time through this plowback, O&C counties voluntarily returned more than $2 billion in timber revenues to the BLM. Lane County's share of this lost investment is more than $314 million.

About 25 percent of Lane County's general fund is financed by O&C timber revenue. It is used to pay for critical public safety and health services. In fact, 75 percent of the discretionary funds provide services such as immunization, communicable disease control, county jail and rural police patrols. It is a dilemma. We are one of many counties who have partnered with the Federal Government for nearly 100 years in sharing the Federal timber receipts. Lane County is different from other counties because the Federal Government owns 54 percent of us, all of this forest land.

This means only 46 percent of the property in our county is taxable. What is more, because of our unique partnership, we did not increase property taxes as did some Oregon counties. As a result, our tax rate alone cannot totally support our public safety and health services. In plain English, our budget relies on the current owl safety net.

If guaranteed timber payments are not stabilized, the county cannot recoup its loss. Even if the citizens want to make up the difference, they can't. Why? Because in 1997, a State imposed property tax limitation prohibits any county from permanently increasing property tax.

We relied in good faith on our partnership with the Federal Government. Now we are afraid this reliance will cripple our critical public safety, health services, and transportation if Congress does not stabilize the payments. The bottom line, if our Federal Government decides to take a big chunk of Oregon's Federal forest land

out of timber production, counties should be compensated. Also, if the harvestable timber sales quantity is cut or eliminated to satisfy the administration's or Congress' competing policy objectives we should be compensated as well.

We are certainly aware of the tight Federal budget. However, almost 100 years ago we made a deal with the Federal Government and we have upheld our end of the deal by providing health services, public safety, and roads. Now we call on Congress to ensure that the Federal Government upholds its part of the bargain. We urge you to seriously consider and adopt a viable stabilization plan.

I would like to call your attention to the fact that the Lane County Board of Commissioners has carefully considered how best to solve the problem of counties relying on Federal forest funds. And on June 2, 1999 the board voted unanimously on a resolution backing the Federal action to stabilize the payments. And Mr. Chairman, for the record, I would like to submit this resolution which was unanimously endorsed by the Lane County Board of Commissioners if I may at this time.

[The information follows:]

IN THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY OREGON

ORDER No. 99-6-2-5	)	IN THE MATTER OF SUPPORTING THE PROPOSAL TO STABILIZE THE FOREST SERVICE AND O&C PAYMENTS

WHEREAS, 54.4% of Lane County is in federal government ownership; and

WHEREAS, since 1908 with regard to United States Forest Service, National Forest payments (16 USC 500), and since 1937 with regard to the Department of Interior Bureau of Land Management, O&C payments (43 USC 1181 f), certain Oregon counties, including Lane County, have received payments based upon a percentage of revenue from the sale of timber on federal lands; and

WHEREAS, in reliance on this partnership, Lane County had foregone increasing its tax base, which is now inadequate to serve the basic public health and public safety needs of its citizens; and

WHEREAS, in partnership with the Department of the Interior, Lane County along with the other O&C Counties agreed in 1952 for years after to return one-third of its O&C revenues to the Bureau of Land Management to be expended in the management of the O&C lands for parks and other recreation facilities, roads, bridges and reforestation in order to increase the future value of the land as a revenue producing asset; and

WHEREAS, the present value of Lane County's share of this "plowback" would exceed $314 million; and;

WHEREAS, the actual harvest levels have decreased by over 80% on federal lands, and

WHEREAS, due to the passage of Ballot Measures 5, 47 and 50, all statewide measures, Lane County is no longer legally able to permanently increase its property tax base to make up for loss of these timber revenues: and

WHEREAS, the federal government's current "owl region" safety net payments (P.L. 103-66, Section 1392 as amended by P.L. 103-443) will expire at the end of federal fiscal year 2003; and

WHEREAS, the administration has proposed extending these payments at a permanent non-decreasing level in perpetuity, and a number of other, similar proposals have been advanced by others offering a range of terms and benefits.

NOW THEREFORE BE IT HEREBY RESOLVED that Lane County supports stabilizing these payments to counties, so long as the stabilization proposal contains substantially the following elements:

1) The payments are ongoing, and will not require annual appropriations;

2) The payments begin at not less than the average of the highest three years from an appropriate base period after 1985 and are adjusted annually with cost-of-living increases; and

3) If the promised payments are ever eliminated or reduced below the level of the historic formula share of harvest receipts, payments would revert to the level provided by actual harvest receipts, and if the harvests exceed the level of the historic formula, Congress should then review this appropriation; and

4) Counties would not be prevented or discouraged from participating in land management decision-making processes in their traditional role.

Dated this 2nd day of June, 1999.

Chair, Lane County Board of Commissioners

Mr. GREEN. Given that, the resolution goes on to speak to four points.

Continue payments in perpetuity, number one.

Number two, provide for inflationary increases.

Three, revert to the actual harvest receipt formula if payments ever drop below the original funding formula. If receipts ever go above the original formula, Congress should review the appropriations.

Four, allow counties to participate in the land management decisions. Given the immediacy of the issues we cannot endure a prolonged debate over best forest management practices.

We believe the best and most practical approach is to stabilize our partnership with the Federal Government and in order to permanently provide for the maintenance of critical services for our citizens.

Thank you, Mr. Chairman, for the opportunity to testify, and I stand ready to answer any questions which come forward.

Mr. HILL. I thank you, Mr. Green.

[The prepared statement of Mr. Green follows:]

STATEMENT OF BOBBY GREEN, CHAIRMAN, LANE COUNTY BOARD OF COMMISSIONERS

Lane County is one of the most unique counties in the United States. It is about the size of Connecticut with more than a third of a million people. Our land stretches from mountain ski slopes to ocean seashores. Most Lane County citizens live in Oregon's second largest urban center, the Eugene-Springfield metro area. We're a microcosm of all U.S. counties reliant on Federal forest policies. Forest land comprises 88 percent of Lane County. The United States government—the U.S. Department of Agriculture, Forest Service, and the U.S. Department of the Interior, Bureau of Land Management—owns more than half of the county, 54.2 percent to be precise.

Lane County, Oregon is home to one of the largest combined Federal and O&C forest properties in the United States today. Because the county is more than half (54.2 percent) federally owned or managed, a unique partnership with the Federal Government was created almost 100 years ago.

Since 1908, Oregon schools and local governments have had a good partnership with the U.S. Forest Service. Timber resources from Federal lands are used to provide raw materials for developing industry and economic growth. Funds from selling these materials provide education for our citizens. The funds pay for the transportation system to get the raw materials to the market. They provide resources to the Federal agencies administering the lands. They assist the Federal Treasury.

The partnership has worked extremely well in Lane County. While we continue to diversify our economic base, the timber industry still provides 6,900 jobs in our county.

Lane County's "Owl Guarantee" portion alone has provided an additional $22 million to help educate Oregon's children. In addition, it funded $66 million to maintain and modernize 1,500 miles of roads and bridges in Lane County's transportation system. These roads are heavily used by the timber industry and Federal agencies as timber moves to the mills and the marketplace.

National forest timber revenue is used to finance the planning, design and construction of new county roads and bridges. All of these services are at risk of severe reduction or complete elimination on June 30, 2004. If no changes are made to the current system, that's when Lane County expects to lose close to $12 million a year.

The history of the Oregon & California Railroad lands (O&C) is long, unique and quite colorful. Lane County's O&C lands comprise about 2.4 million acres of forest land managed by the Bureau of Land Management (BLM). Before 1903, these lands were in private ownership and available as resources for local government taxation. Because the O&C Railroad failed to comply with Federal law, and after much litigation, including a case that went all the way to the United States Supreme Court, these lands were "revested" in the Federal Government.

In 1916, Congress directed a portion of the resources to the counties. However, little funding actually made it to local governments. Future Federal acts continued to provide that a portion of the proceeds be given to counties.

In 1938, the Federal Government granted 50 percent of the revenues from O&C lands to counties. With the partnership, counties could use the funds to provide vital public health and public safety services to its citizens, despite the fact that more than half the county is exempt from taxation.

In 1952, the O&C Association formed a partnership with the Bureau of Land Management (BLM). Both parties agreed that one-third of the counties' share of timber revenues be reinvested in managing the lands to improve future harvests. For years it worked extremely well, turning Oregon & California Railroad lands into some of the country's most productive forest lands. Unfortunately, just as counties were about to get a return on their investment, Federal forest policy changed. As a result, counties did not get the return. Over time, through this *plowback*, O&C counties voluntarily returned more than $2 billion in timber revenues to the BLM. Lane County's share of this lost investment is more than $314 million.

About 25 percent of Lane County's general fund is financed by O&C timber revenue. It is used to pay for *critical* public safety and health services. In fact, 75 percent of the discretionary funds provide services such as immunizations, communicable disease control, county jail and rural police patrols.

It's a dilemma. We are one of many Oregon counties who have partnered with the Federal Government for nearly 100 years in sharing Federal timber receipts.

Lane County is different from other counties because the Federal Government owns **54 percent** of us—all of it forest land. This means only 46 percent of the property in our county is taxable. What's more, because of our unique partnership, we did not increase property taxes as did some Oregon counties. As a result, our tax rate alone cannot totally support our public safety and health services. In plain English, our budget relies on Federal timber money.

If guaranteed timber payments aren't stabilized, the county cannot recoup its loss. Even if citizens want to make up the difference, they can't. Why? Because in 1997, Oregon voters adopted Ballot Measure 50, a property tax limitation measure that prohibits permanent increases in the property tax rate.

We've relied in good faith on our partnership with the Federal Government. Now we're afraid this reliance will cripple our critical public safety, health services and transportation if Congress does not stabilize the payments.

THE BOTTOM LINE—If our Federal Government decides to take a big chunk of Oregon's Federal forest land out of timber production, counties should be compensated. Also, if the harvestable timber sales quantity is cut or eliminated to satisfy the Administration's and Congress' competing policy objectives, we should be compensated as well.

We are certainly aware of the tight Federal budget. However, almost 100 years ago, we made a deal with the Federal Government and we've upheld our end of the deal by providing health services, public safety and roads. Now we call on Congress to insure that the Federal Government upholds its part of the bargain. We urge you to seriously consider and adopt a viable stabilization plan.

I'd like to call your attention to the fact that the Lane County Board of Commissioners has carefully considered how best to solve the problem of counties reliant on Federal forest funds, and on June 2, 1999, the Board voted unanimously on a resolution backing Federal action to stabilize payments and asking to:

(1) Continue payments in perpetuity.

(2) Provide for inflationary increases.

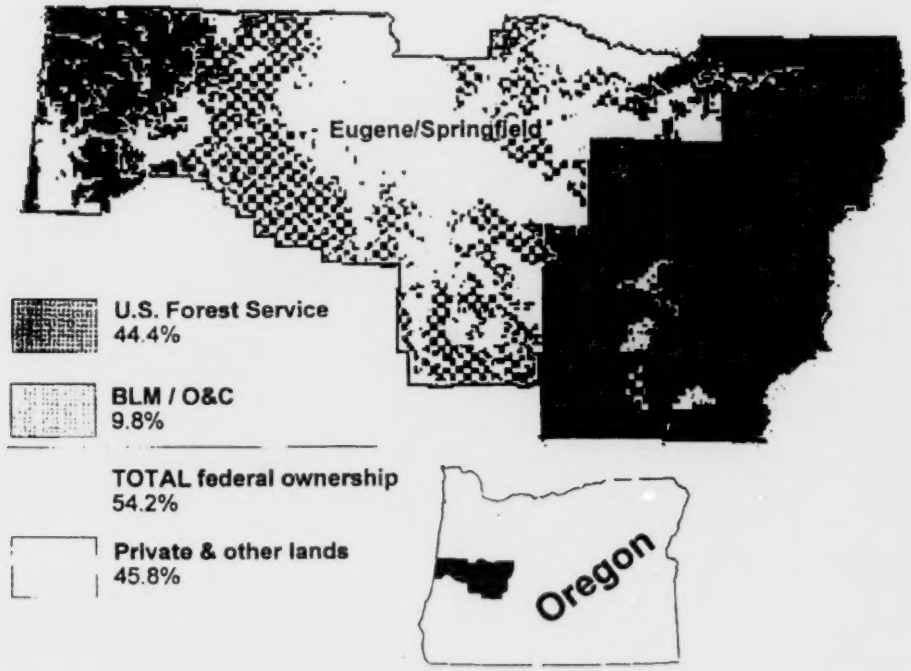
(3) Revert to the actual harvest receipt formula if payments ever drop below the "original" funding formula. If receipts ever go above the original formula, Congress should review appropriations.

(4) Allow counties to participate in land management decisions.

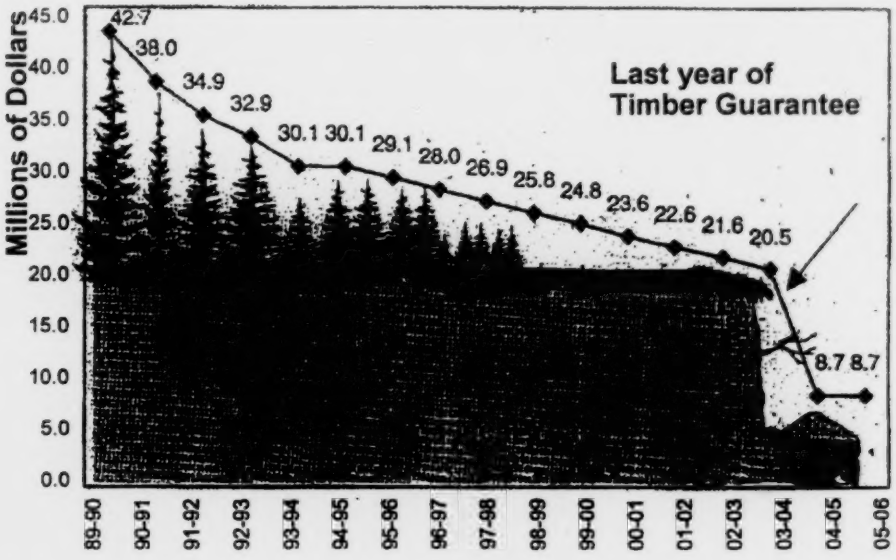
Given the immediacy of the issue, we cannot endure a prolonged debate over best forest management practices. We believe the best and most practical approach is to stabilize our partnership with the Federal Government in order to permanently provide for the maintenance of critical services for our citizens.

Thank you for this opportunity to testify, I will be happy to answer any questions.

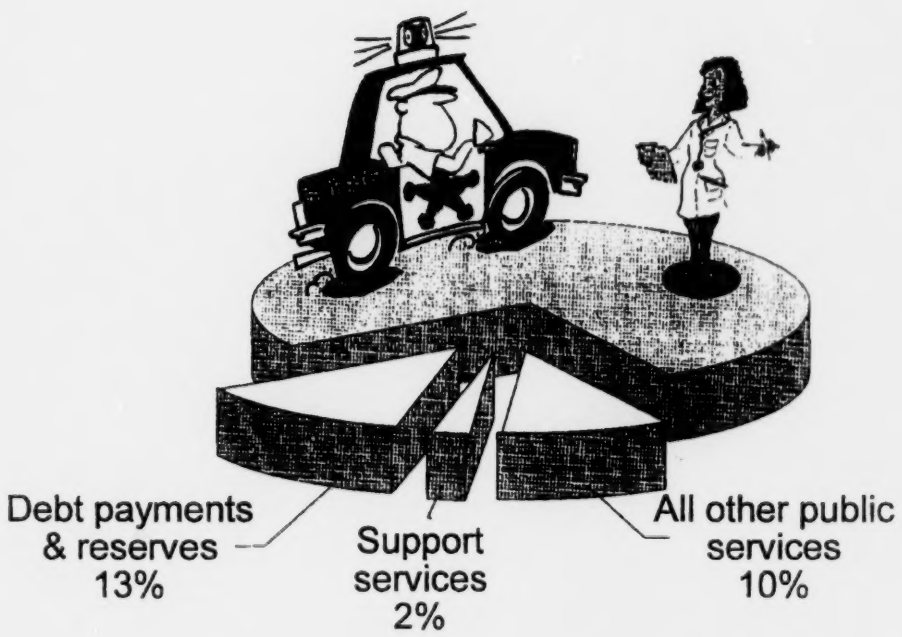
Lane County Land Ownership



Federal timber revenues to Lane County, Oregon



How Lane County will spend discretionary dollars in FY 1999- 2000



Mr. HILL. The final panelist is Mr. William Dennison from Plumas County, Supervisor, District 3, Chester, California.

STATEMENT OF WILLIAM N. DENNISON, SUPERVISOR, DISTRICT 3, PLUMAS COUNTY, CALIFORNIA

Mr. DENNISON. Thank you very much, Chairman Hill, Subcommittee members and full Committee members.

I am Bill Dennison, Plumas County, District 3, Supervisor. I am speaking on behalf of Plumas County Board of Supervisors, the National Association of Counties, Regional Council of Rural Counties, which is in California, and the California State Association of Counties. The National Association of Counties has a membership of 1,857 counties. There are 800 counties that are forested in the United States that receive this revenue from the Federal timber sale receipts program. You are addressing a very important issue to all of us, and we thank you for that.

Congressman Boyd did a great favor by documenting a lot of the reasons for the importance of that Act of 1908 so I will not belabor that except to point out the fact that in 1908 the General Accounting Office report contains a statement which is very important to us today; and they said, and I quote, since the early 1900s, the Congress has enacted more than 20 laws directing that a State or county be compensated for a Federal presence in the state. It was a promise that was made in 1908. It has been reaffirmed 19 other times, and it is a promise that must be sustained as you have heard from other members today.

You are aware that the timber sale receipts have been decreasing, but I want to tell you about Plumas County because it is very close to us there where the Federal lands constitute 73 percent of the land base, and our revenue has been reduced from almost $9 million per year to $1 million per year. The $4 million lost for each of the school and the road systems have been very severe, and I can provide you with more data. And I have done that in my written statement.

In summary, our roads are deteriorating, and our school children's education is being impacted. It is for those reasons that we entered into a broad coalition, the greatest I have ever seen. I wish we had those years ago, things would have been different, I believe. We didn't have them. We have them now. It is a grassroots movement that is potent that should be listened to. But entering into those understandings, we came up with principles that have been noted; but I want to just briefly go over those again.

This corrective legislation must cover all of the national forest counties nationwide. Secondly, the payments are to be guaranteed based on 100 percent of the 3 highest years during the period of 1986 to the date of the passage of the bill. That is not a small decision that was made. We found in our compromise in our discussions if we did not do that, some of the Eastern counties would be losers; and so we brought them into the fold and thought that was a good way to go. The administration proposal to restrict the base to 76 percent of the period between 1985 and 1996 would penalize some of these States.

The either or language has been included to allow for payments to ensure that you can get as good or better payment in case your

receipts are higher. That is a reasonable thing. The CPI indexing has been noted before, but most important, and we have talked about this already, is the decoupling. And we believe there should be no change in the Act of 1908. There should be no decoupling of the payments from the production of our national forests as proposed by the administration. The last principle relates to the fact that we wish this legislation to be short term, a short-term financial safety net with a means to pursue a long-term resolution toward securing the delinquent revenues. That is covered under section 7 of the bill.

We agree that land use management should not be for the sole removal of trees, but good management will, in fact, remove some trees during the process. That is why we supported the passage of the house when you acted on the Herger-Feinstein-Quincy Library bill, that great vote of 428 to 1 before.

We supported you on that. That is why we now view that bill as a means to a long-term solution to the issue before us today.

I have a copy and a longer written statement, Mr. Chairman, and a copy of an 8-page article in the July 1999, Smithsonian magazine, A Town Buries the Axe. I would like to include those in the record.

Mr. HILL. Without objection.

All of the panelist's written testimony will be part of the record.

[The information follows:]

BY EDWIN KIESTER, JR.
PHOTOGRAPHS BY GERRY GROPP

FISTFIGHTS, GUNSHOTS, VANDALISM—GREENS AND LOGGERS COULDN'T AGREE UNTIL THE QUINCY LIBRARY GROUP GOT THEM TALKING

Town Bur

ies the Axe

WHILE I AM STUDYING THE LIST OF OMELETS AND VEGgie burgers in the Morning Thunder Cafe in Quincy, California, Tom Nelson is looking around with a bemused expression. The restaurant is adorned with tie-dyed T-shirts and ads for self-actualization groups and rock concerts and is dominated by a giant espresso machine. To many old-timers in the Sierra Nevada town of 5,000, Morning Thunder is a hotbed of tree-huggers, hippies and out-and-out radicals. Nelson is a forester for Sierra Pacific Industries, the largest private timber owner in California, and a logger to the bottom of his calked boots. He shakes his head ruefully. "There was a time," he smiles, "when I would have been persona non grata in this place."

Quincy folks are not yet erecting statues of Nelson and his fellow members of the quaintly named Quincy Library Group (QLG), but they are grateful that the group has brought a measure of peace to a town once divided into warring camps. Last October, after a six-year effort, Congress approved a $22-million, five-year, locally drafted pilot project for three national forests around Quincy, allowing limited logging while protecting many environmentally sensitive areas. The bill sprang from an unprecedented community collaboration in which environmentalists, loggers and political officials put aside differences to reach agreement. Not that the outcome was 100 percent popular. National and some regional environmental groups have bitterly labeled it a sellout to the timber industry—"a sweetheart deal for Sierra Pacific," fumes Louis Blumberg of the Wilderness Society.

Perhaps unsurprisingly, many relieved Quincy denizens disagree. "I'm very pleased the way it's brought the community together," says Janet Hilde, an attorney who describes herself as having been "neutral" during the logging wars.

Others portray the agreement as grassroots democracy at its finest. "This is what I learned about in school," Nelson says. "Local citizens getting together to resolve their differences and coming up with a policy that's best for everybody. That's what the American system is all about."

For generations, men have been

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The trees above burned in 1994 in a fire fueled by smaller growth. Forest fires have replaced clear-cutting (at left is a view of how one such cut, from the 1980s, looks today) as the primary concern of a united community.

cutting down the giant softwoods on the mountainsides above Quincy; logging has been practically a local religion. The nearby eastern Sierra slopes bristle with hundred-foot-high ponderosa, lodgepole and sugar pine and Douglas fir, the stuff of two-by-fours and planking, doorframes and windowsills. Quincy's largest single nongovernmental employer is the Sierra Pacific sawmill, but many others depend upon a prospering timber industry for their livelihood.

Walled off from much of California by the Sierra rampart, Quincy has been a backwater in the nation's most populous state. With its classic small-town Main Street of pharmacies and bars, churches and barbershops, Quincy is the Plumas County seat and largest settlement. The county population numbers only 22,000, spread over a territory the size of Delaware. Three quarters of the country is federal land, mostly the jurisdiction of the U.S. Forest Service.

For decades, the town was all but ignored by outsiders. But in the 1960s and '70s, attracted by the verdant hillsides, the unhurried pace and the low cost of living, urbanites fleeing cities found refuge in the rural community. They were soon shocked by the Forest Service's approval of clear-cutting great swathes of the mountainside, destroying the very beauty that had brought them there. Newcomers and a few locals began to coalesce into an environmental movement.

One of the newcomers was a blocky, bearded attorney named Michael Jackson, who had turned his back on urban California in favor of a law practice in the mountains. "In a logging town, not many lawyers would take environmental cases," he says. "I became the attorney of last resort." He represented fishermen fighting stream pollution and ranchers protesting the use of pesticides. Jackson, by his own proud admission, is abrasive and confrontational, and he quickly became the loggers' Public Enemy No. 1. After passage of the California Wilderness Bill, designating some forest areas as wilderness, he boasted about it in a loggers' bar and was thrown through the swinging doors headfirst. He landed under a logging truck. "I deserved it," he says now. "I shouldn't have gone in and gnawed on them like that. I knew I wasn't their power boy."

In the go-go '60s, loggers harvested more than 250 million board feet of timber in Plumas County annually, enough to construct 20,000 homes. Most of the harvest came in what Jackson called "god-awful ugly" clear-cuts, as the Forest Service pushed for "even age" forests. The service built new logging roads to haul out the

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timber, despite claims that doing so upset natural drainage and destroyed fish habitat. In 1988, the Forest Service presented a long-term plan for cutting up to 265 million board feet of lumber a year over the next ten years.

Meanwhile, due in part to automation and computerization, in a region that once hummed with dozens of sawmills, their numbers dropped to a handful—producing just as much lumber, but with far fewer jobs. And the controversy over spotted owls rippled into California. Although the California bird was not yet considered endangered, a cry went up to protect the old-growth conifer forests where it nested.

The Sierra Club, the Wilderness Society, the Natural Resources Defense Council and the Friends of Plumas Wilderness formed a coalition to halt the worst of the environmental damage caused by logging. They drew up a proposal that, among other things, forbade logging in roadless and old-growth areas and along streams. The Forest Service rejected that part. The service did endorse some of the coalition's suggestions, but dismissed the protection of older, larger trees as "unscientific." The accepted forest science, officials said, called for clear-cutting.

The environmentalists then took matters into their own hands. They filed a blizzard of appeals of many timber sales. Legal maneuvering didn't stop logging but did intermittently delay it or shut it down, throwing many loggers out of work.

The jobs-versus-trees conflict quickly spilled into the streets. "We'd look out Mike's law-office window and see a logging truck parked across the street with three giant old-growth logs, just to taunt us," remembers Linda Blum, a former Audubon Society wildlife specialist who was then working on Jackson's staff and now is a leader of the QLG. Taunting, in fact, was mild. "One morning, we found bullet holes through the office windows," Blum says. On the other side, Jackson says, unknown persons trashed and torched one logger's equipment to the tune of $135,000 worth of damage. There were anonymous telephone threats, stone throwing and fistfights. Editorials lambasted the environmentalists. In 1988, Jackson ran for county supervisor. He lost Quincy by 17 votes—evidence, he says, of how polarized the community had become.

Linda Blum (top), here in a favorite grove, was a leader in getting the town to work out an agreement. Mike Yost (above), of Feather River College, conducts a prescribed burn.

"It was an atmosphere of total hostility," Bill Coates says. "Everybody had a beef, everybody had an idea who to blame. Those seeing their jobs cut back or eliminated blamed the environmental movement. Environmentalists thought the forests were being abused and blamed the loggers. The Forest Service felt beleaguered, getting different marching orders all

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Bill Coates (top) was the catalyst for getting the talks going. His wife, Debra (above), is news editor of the *Feather River Bulletin*, which backed the plan.

the time. It was gridlock. Meanwhile, the environment was getting worse."

Coates, a thoughtful, slender man with steel-gray hair, had come to Quincy in 1974 with a master's degree in business and opened a tire shop on Main Street. He served 18 years on the county board of supervisors, including four stints as chairman. Coates tended to side with the timber industry, which after all provided jobs and was the region's economic base. Part of the county's own budget depended on logging income. Because federal land could not be locally taxed, by law 25 percent of logging revenue was returned to the county for school and road expenses. The periodic shutdowns played havoc with both.

One wintry afternoon, Coates sat in the tire shop office and recalled grimly the battlefield atmosphere. "It wasn't just the economics," he said. "It was the social cost. It was killing the town, this choosing up sides. It's one thing to attack your opponents on a national level. You don't have to deal with them in the social sphere. In a small town, you meet the people on the other side every day. You run into them at the shopping center, or the Little League games or at church. Your kids are in school together. They're your neighbors."

After President Clinton was elected with green support in 1992, the pro-logging side feared the national forest "cut" would be reduced, perhaps below the amount proposed by the coalition earlier. Suddenly, to people like Coates, the coalition proposal didn't look so bad. He picked up the phone and called Jackson, the most visible environmentalist.

"This community deserves for all of us to put aside hatred," he told Jackson. "For the good of the town, would you be willing to sit down with someone from the timber industry and see what you can agree on?" Jackson admits he "fenced with him at first." Finally he said, "Why don't we have lunch at the Morning Thunder and talk about it?" Coates gulped. "I've never been in there. How about Bob's?" he said, naming a loggers' favorite across from the courthouse. "I've never been *there*," Jackson said.

A week later, Coates came to Jackson's office with Nelson. "We spent a lot of time separating out things we knew we could never agree on," Nelson says. "We realized we could argue all night about what not to do. The point was to see what we could do. The motive didn't matter." At the end of a loud evening, they had agreed on one point: to keep talking.

The three scheduled another meeting, then a third. "We found a surprising amount of common ground," Nelson says. "But we still yelled a lot." Once the arguments grew so raucous that Jackson's librarian wife,

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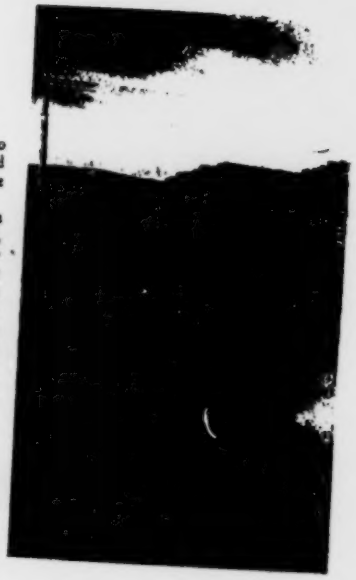

Ruth, stepped across the street. "You can be heard all down the block," she chided the three men. "Why don't you come over to the library? Then you won't be able to shout."

The Plumas County Library is a low, unprepossessing one-story building just off Main Street. One wing houses a spartan public meeting room, to which the chastised but still argumentative trio adjourned. As the group expanded, the membership kept carefully balanced between environmentalists and timber people, the library seemed an ideal meeting place. "We needed a neutral place and name that didn't say 'pro-environment' or 'pro-logging,'" Linda Blum recalls. "Who could argue with a library?" Anyway, she says, the contending participants liked the idea that they had to keep their voices down.

Conspicuously left out of the meetings was the Forest Service. "We recognized their role as stewards of the land," Coates says, "but we thought our role was to express what citizens think. Government agencies tend to absorb people like us. We didn't want them to love us to death." Later the service was invited to attend, but representatives were never given a vote.

There are few secrets in a town like Quincy. As the whispering increased, the group decided to brief the townsfolk and ask for their support—or rejection. More than 250 attended a Saturday afternoon town-hall meeting, including a contingent from the Forest Service. Jackson, Coates and Nelson outlined the progress of their proposed collaboration and asked for a show of hands. Only about ten people wanted the talks dropped.

In August 1993, the onetime archenemies formalized a three-page Community Stability Proposal. Working from earlier maps of old-growth timber and roadless areas prepared by Mike Yost, of Feather River College, they agreed to earmark a half-million acres of three national forests off-limits to logging. Clear-cutting would be replaced by "group selection" logging, with large trees left standing and smaller trees harvested around them. Owl habitat would be protected; buffer zones for streams would be established. Trees more than 30 inches in diameter could not be cut. Local mills would be given preference. The total harvest would be less than 200 million board feet a year. The long-term goal would be to restore the forest to its state of 100 years before.

A Sierra Pacific feller-buncher cuts a stump. Grabber arms above the cutting wheel can hold several trees and pile them neatly where they are wanted.

Thirty-six citizens who had participated signed the Community Stability Proposal, Coates says proudly: "A cross section of the community. Cattlemen, homeowners, teachers, union officials, blue-collar workers, government people, well-recognized environmentalists. And four years later, not one has broken their promise."

On a snowy afternoon, Jackson, Blum, her husband Harry Reeves and I stood at Cottonwood Campground, in a frigid forest a few hundred yards off U.S. Highway 89. Towering pines soared above us. At ground level, most undergrowth had been cut back;

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After a truck has dropped its logs in the Sierra Pacific yard, this apparatus lifts the front of the trailer onto the cab, making the rig shorter and easier to drive in tight turns.

we could clearly see to the highway and its occasional traffic. "This is what the forest looked like a hundred years ago," Blum said, spreading her arms in a sweeping motion. "A 1900 analysis described a parklike setting dominated by large trees." Pictures show huge trunks so far apart that you could drive a team of horses between them. There is little understory because it had been burned away by periodic fires. This area resembled the 1900 forest because the Forest Service had thinned it as a test of QLG principles, she said.

Cottonwood also represented a major shift in QLG strategy. In July 1994, near where we now stood, a fire broke out in the undergrowth and quickly jumped to the crowns of the pines, swept from treetop to treetop and soon became an inferno. Before it was extinguished, the fire burned 47,000 acres of forest the group had sought to protect and very nearly consumed the town of Loyalton. It cost the state and federal governments $22 million before it was contained.

Blum led us to another part of the forest. She pointed to a pine perhaps 60 feet high. Clustered about it were smaller trees, almost leaning against the taller one. "Fuel ladders," Blum said. "White firs thrive in the shade, so they hug the pines like this. And they are very, very flammable. You get a lightning strike or a cigarette, and high winds, and the fire races up this ladder of firs to the crowns of the pines. And then you've got a raging hot, catastrophic fire that consumes everything—trees, wildlife, topsoil, everything. For 100 years, we've been suppressing natural fires, which would have kept this stuff down. Now we have a tinderbox, a calamity waiting to happen."

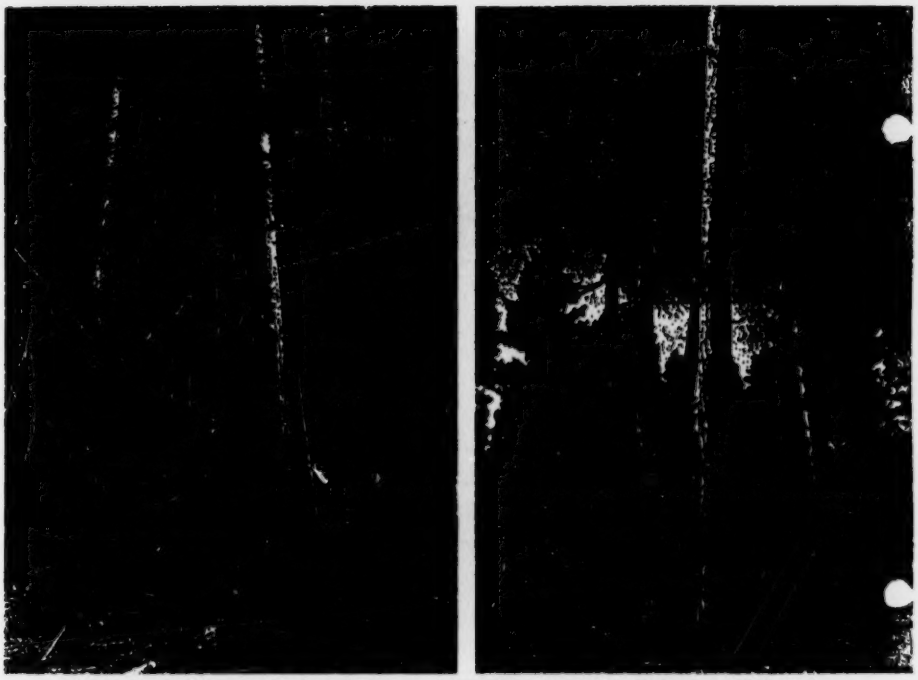
After the Cottonwood fire, the QLG made fire prevention the centerpiece of its recommendations. So did the California Spotted Owl (CASPO) guidelines, declaring that more owls would be lost to fire than ever would be lost to logging.

Under the leadership of George Terhune, a retired Pan Am pilot, the QLG now mapped out a network of defensible fuelbreaks, quarter-mile-wide strips along existing roads in which the understory would be thinned and prescribed fires set as appropriate. When the strips along roads were completed, the thinning would be extended to the rest of the forest. Cut brush would become fuel for the mills.

In late 1993, the group submitted its plan to the Forest Service. Sixty excited residents of Quincy traveled to Washington, D.C. to talk up the idea in meetings with Jack Ward Thomas, then chief of the Forest Service, Undersecretary of Agriculture James Lyons, who oversaw the Forest Service, and California's U.S. senators, Dianne Feinstein and Barbara Boxer. Then they went home and waited for something to happen.

And, Jackson says, nothing did. Lyons acknowledges that the "Forest Service of old" could be hostile to suggestions from outsiders, especially at the field level. Lyons, who met several times with the QLG, agrees with many of its positions but has misgivings about the overall plan, especially its size. The QLG, he says, "didn't think the Forest Service was moving fast enough and far enough. It's fair to say they were not getting a lot of support on the ground."

After what Jackson describes as two frustrating years, the QLG tried a different approach. With the help of Secretary of Agriculture Dan Glickman and Congressman Wally Herger, in 1995 the Forest Service received several small appropriations to test QLG ideas on a limited scale. Then,



Left: After 100 years of fire suppression, the smaller trees are an inferno waiting to happen. Right: The Quincy plan calls for thinning to eliminate all the extra fuel, leaving forests that look like they did 100 years ago.

in 1997, Herger introduced a bill directing the Forest Service to put the Quincy plan fully into action. It passed the House by 429 to 1. Senator Feinstein then introduced a QLG bill in the Senate.

Meanwhile, the Quincy collaboration underwent its most severe test—and its proudest moment. In 1995 Congress passed the Salvage Rider, a measure allowing loggers to "salvage" dead and dying trees in certain national forests. The Barkley tract in the Lassen National Forest lies on a ridge right above a natural salmon run and had been declared off-limits to logging by the QLG. Nonetheless, the Forest Service asked for bids on salvaging timber in the Barkley tract.

Even the QLG's opponents admire what happened. Although it would have been perfectly legal and correct, not one timber company submitted a bid. "A deal is a deal," Tom Nelson insisted, for the loggers. "We agreed that those lands were off-limits, and we're going to stick to it." The Forest Service asked for bids a second time, inviting loggers from outside the area to participate. There were still no bids. The QLG complained. In the end, Washington ordered local Forest Service officials to withdraw the offer.

Acting Regional Forester Brad Powell, whose jurisdiction includes 20 million acres and all national forests in California, agrees that the QLG helped focus attention on the fire threat. "If you think about it, no matter how you choose to manage a forest, if you're not successful in the management of fire, your plan can change very quickly," he says.

Powell was not assigned to California during the QLG's early days. In the beginning, he says, there was tension because the group didn't include the Forest Service in its discussions. But, he says, "I think it's exemplary when local communities work together and with us to develop better solutions. We're encouraging local groups all over California to become engaged. I think we've learned a lot.

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A few mornings later, the group was once more ranged around the table, pondering the future.

We're trying to be more responsive so that we leave sustainable forests for recreation, clean water, wildlife and for products that can help sustain the economy of the communities."

In the tumultuous run-up to the 1998 election, the Feinstein-Herger bill was included in the omnibus appropriations package that passed both houses in late October. The final bill differed little from the QLG's original proposal. The bill specified that 40,000-60,000 acres would be transformed into Defensible Fuel Profile Zones. Another 9,300 acres would be marked for group-selection or single-tree logging.

National environmental groups were angered by the QLG's decision to seek congressional action. "We don't believe that Congress should be deciding the course of action for individual national forests," says Barbara Boyle, of the Sierra Club. "Congress should set policy, but forest management should be left to the Forest Service. And why should a small group of local people determine what happens to a forest that belongs to everyone in the whole country?"

The Sierra Club opposes any form of commercial logging in the national forests. The Wilderness Society does not. But Louis Blumberg, of the California/Nevada office of the Wilderness Society, is one of the QLG's most implacable foes. He says that the final QLG proposal uses outdated 1980s maps. More recent mapping, he says, shows that the proposal missed 59,000 acres of old-growth timber, including the entire south fork of the Feather River, a prime logging site. But when he brought this oversight to the attention of the Quincy group, he says, they refused to reconsider and simply responded, "A deal is a deal."

The inclusion of the 9,300 acres, Barbara Boyle says, will double the previous year's cut. According to the Office of Management and Budget, the bill when fully implemented will permit a harvest of 250 million board feet, compared with the 1997 cut of 129 million board feet.

Despite the rhetoric, the QLG and its opponents are surprisingly close together in their thinking. Even Blumberg acknowledges that he favors what he calls "Quincy Lite." "There are many good things in the Quincy proposals," he says. "But they ought to be tested on a much smaller, more experimental scale." The opponents are grudgingly grateful to the QLG for focusing attention on the threat of fire.

Around Quincy, you hear that the opposition simply represents another chapter in the classic struggle between rural folk and city slickers. "There seems to be one set of rules for the urban, well-off, well-educated, and one for the stereotype of rural people, the rednecks," Jackson grumbles. "When we went to Washington, some people there, I'm sure, thought that we all looked like extras from the movie *Deliverance*." Blumberg hoots at that: "These people have shown that they are very, very sophisticated. They certainly understood how to manipulate the political process."

Bill Coates has his own perspective. The former county supervisor has looked sadly around the territory and seen the desolation of the nearby once-prosperous towns. Westwood, 40 miles to the north, is dominated by a huge statue of Paul Bunyan. Neither the legendary logger nor anyone else is processing logs in Westwood now; all the mills have closed, and, Coates says, the biggest source of income is welfare checks. In Greenville, when the timber harvest was reduced in the '90s, the town had to consider whether to close its high school. (It finally didn't.) "That would have been a disaster," Coates says. "In a town like that, the high school is the community center. If the high school closes, the heart goes out of the community."

After President Clinton signed the 1998 budget measure, the QLG held a small party at the home of Coates and his new bride, Debra, news editor of the *Feather River Bulletin*, which had backed the group in editorials all the way through. "It was more to unwind than to celebrate," Linda Blum says. A few mornings later, the group was once more ranged around the U-shaped table in the library, sipping coffee and contemplating the future. Dave Stone, representing the Forest Service, was firmly told to "get with it," in conducting the Environmental Impact Statement which, under the bill, had to be completed within 300 days, but which, two months after the bill's passage, still hadn't been started. (It has been begun since, and is due to be completed in August.) Blum also said that the QLG would now concentrate on monitoring the program. "Our motto is going to be 'Trust—but verify,'" she said.

Afterward, Coates summed up what he saw as the lessons of the Quincy experience. "America needs its rural communities," he said firmly. "You can't live in Ohio and visit Plumas unless there's a hospital there, unless there's law enforcement, unless there are roads to drive on. You have to have a local infrastructure, so that if they get hurt we can treat them, if they get lost we can find them. To keep that fabric together, the people of the town have to unite, to work together, to put aside their differences for the good of the town and the good of everyone." ▼

Edwin Kiester, Jr., and his wife, Sally, wrote about the Philippines in May. Muscle Beach and cyber cops are among the subjects Gerry Gropp has shot for Smithsonian.

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Mr. DENNISON. I hope you have seen the Smithsonian report on the Quincy Library Group. It highlights the balanced management approach which you all embraced through that QLG bill as a means to protect against catastrophic wild fires. We are waiting for the final environmental impact statement completion by Forest Service so we can work together to begin that adaptive management process and have it utilized eventually not just in our area.

We think that it is applicable to many places throughout the Nation, but this is going to take a couple of years and in the meantime, our counties need help. I suggest we should not be here talking about what the level of the cuts should be. That is another issue. We should be talking about how can we get the job done. Certainly there are some controversial issues, and I agree with Chief Dombeck on that. However, I think some of the things that were happening with the grassroots coalition, we can work some of these things out so they are not so controversial in the future. And there can be increases in timber harvest with sound environmental practices as well. We must strive for that goal.

In closing, I would call to your attention again that Smithsonian report. A past Plumas County supervisor, Bill Coates, my predecessor, was quoted in the article as saying the following. Mr. Coates said, "America needs its rural America. You can't live in Ohio and visit Plumas County unless there are hospitals there, unless there is law enforcement, unless there are roads to drive on. You have to have local infrastructure so if they get hurt, we can treat them. If they get lost we can find them. To keep that fabric together," Mr. Coates said, "the people of the town have to unite to work together to put aside their differences for the good of the town and for the good of everyone."

Chairman Hill and Committee members, that is the reason that I am happy to be with you today. We are not asking for handouts or entitlements. We are not asking that you determine the forest management level here today. We are asking for the opportunity to unite and develop a means by which the forest management funding system will serve the purpose for which it was intended. If rural communities are to be in a position to continue to serve the Nation, there must be more consideration of the resources for which they are willing and able to provide, and at the same time there is a need to fulfill the promises of our Federal Government to pay its fair share for maintaining our county schools and our roads.

To that end, we thank you for the support of H.R. 2389.

[The prepared statement of Mr. Dennison follows:]

STATEMENT OF WILLIAM N. DENNISON, SUPERVISOR, DISTRICT 3, PLUMAS COUNTY, CALIFORNIA

CHAIRMAN CHENOWETH AND MEMBERS OF THE COMMITTEE:

I am Bill Dennison, Plumas County Supervisor; District 3, in California. We are situated in Northern California, north of Sacramento and west of Reno Nevada. Today, I am speaking on behalf of the Plumas County Board of Supervisors and the National Association of Counties (NACo). I chair the NACo Public Lands Steering Committee, which shares a great concern in our issue today, since 800 counties throughout our nation receive revenue from the Federal timber sale receipts program. We are part of the Forest County Schools Coalition which currently has endorsements from over 500 groups in 32 States and is growing daily. You are addressing a very important issue.

Thank you for scheduling these legislative hearings and for the opportunity to convey support for H.R. 2389 and the reasons why such a bill is necessary.

A United States General Accounting Office report to past Congressman Vic DeFazio contains a statement which summarizes an important part of the issue before us today: "Since the early 1900's the Congress has enacted more than 20 laws directing that a state or county be compensated for a Federal presence in the state." Congress recognized that the formation of the National Forests were large-scale withdrawals, with acreages being as high as 50 to 90 percent of some counties gross acreage's. Local government was concerned there would not be adequate tax base to provide appropriate public services. The substantial opposition to this action on the part of the Federal Government was mitigated by the Act of 1908 and as noted by GAO has been reaffirmed 19 more times over the years. It was a promise to the people that must be sustained. This compensation has been provided in varying percentages, but for the most part 25 percent of the gross receipts from commercial national forest activities have been distributed to counties through state government for the use of schools and roads. (16 U.S.C. 500). Over 95 percent of those funds have been from timber sale receipts.

Recent changes in national forest land management philosophy and practices have caused large portions of the National Forests to be considered off-limits for commercial activities. Some of these changes have been initiated by law, some by agency policy change and some may be temporary, as agencies search for scientific truths to answer the intricacies of the Endangered Species Act and other conflicting laws which have been passed by Congress over the years. The end-result has been an average loss of about 75 percent of county revenue from Federal timber sale receipts.

In my County of Plumas, Federal lands constitute 73 percent of the land base and our revenue has been reduced from almost $9 million to about $1 million during the last 8 years. Plumas County has only a population of 22,000, with a local budget of $44 million. We are experiencing the impact of the $4 million dollars lost per year to each of the school and road departments.

It requires $4.1 million to properly operate the public works department. Our Plumas County Director of Public Works has recently reported that this year revenues are estimated to be $1.8 million from gas tax and $0.5 million from the 25 percent timber sale receipts. The remainder of the budget must come from our diminishing reserve, which will be depleted in 2 years. The director reported that he began the reduction in asphalt paving 3 years ago and chip sealing of the roads 2 years ago, in order to maintain a reasonable reserve. That fact is recognized in the obvious road deterioration throughout our county, but the degradation will accelerate if we can not return to a regular road maintenance program.

Next year, if there is not a replacement of the lost timber sale receipts revenues, we have been told that there may be a reduction in snow removal services. We receive snow depths of 2 to 3 feet in a given storm with total depths up to 10 feet in northern Plumas County. The loss of snow removal potential presents a severe deterrent for our emergency services, which include health, fire and law enforcement. These are often life-threatening situations, not a luxury forgone.

The next budget considerations which the Board of Supervisors will be forced to face will be personnel reductions in two years, or less.

Our Plumas County Unified School District Superintendent, Dennis Williams made visits to the Hill with the Quincy Library Group the past two years in recognition of the financial crises he has been facing. Mr. Williams reported to me last week that school budget cuts, as a result of decreased forest receipt revenues has resulted in the following impacts:

- Class size has increased in grades 4-12 to a 30:1 student:teacher ratio.
- All funding was eliminated for all extra-curricular activities but some has been restored over the past two years as a result of temporary Necessary Small School funding provision from the State.
- Custodial and maintenance staffs have been reduced.
- School site supply budgets have been reduced.
- High school counselors were eliminated.
- Administrative staff was reduced.
- Transportation was reduced by eliminating several bus stops.

I have attached a chart and a graph which depicts the forest receipts history of reductions to the Plumas County School District.

It is for these reasons that a nation-wide coalition was formed to pursue legislation that is based on the following principles:

- The corrective legislation must cover all National Forest Counties nationwide, including the Oregon and California (O&C) Counties. This is important because

the impact of Federal land policy changes are being felt from the Atlantic to the Pacific.

- Payments are to be guaranteed based on 100 percent of the three highest years during the period 1986 to the date of passage of a Bill. This is an important factor, because some of the eastern forests have increased their sale program over the past couple of years. The Administration's proposal to restrict the base to 76 percent of the period between 1985 and 1996, would penalize these eastern states. The imposition of a cap on the total increase to a county, as proposed by the Administration is also unfair and unacceptable.
- "Either/or" language must be included to allow for payments based on actual receipts if the amount is greater than the short-term guaranteed payment level. (See Section 5, subsection (b)(2).)
- CPI indexing should be included. (See Section 4, subsection (b).)
- Most important, there must be no changes to the Act of 1908. The proposal for changes by the Administration during the past year has been coined a "decoupling" from production of our national forests. This constitutes an entitlement which the coalition is unwilling to accept. There are several good reasons for this position:

First, we believe that the national forests are in terrible condition and must be managed. We face catastrophic wildfires that can best be minimized through strategic removal of trees. Reinvestment in our watersheds, not lock-up of our resources is the right thing to do.

Secondly, the management of these lands provide products and jobs for our nation that far exceed the 25 percent timber sale revenue. It is important that in the long-term the Act of 1908 and those 19 Congressional passed Bills that followed are upheld to assure that the revenues and production are not separated.

Third, our nation should not initiate more entitlements, when there are means to pay for programs through our existing resources.

- The last principle relates to the fact that we are only requesting a **short-term "safety net"** and the means to pursue a **long-term solution** to securing the delinquent revenues. We believe that the latter is set forth in Section 7. DEVELOPMENT OF LONG-TERM METHODS TO MEET STATUTORY PUBLIC SERVICES. Under item (c) (2) you will note that we wish to increase the revenues, but only where "... ecological, economic and social factors are accorded equal consideration in the management of Federal lands." The Committee shall terminate three years after the date of the enactment of this Bill. That and the provision that payments to eligible States and eligible counties are to be replaced by a long-term solution within two years after the date of submission of the report required by Section (7)(c)(1), is indication of our commitment to a quick solution.

We agree that land use management should not be for the sole purpose of removing timber. That is why we supported the passage of the Herger-Feinstein Quincy Library Group Act. It is why we now view that bill as the means to a long-term solution to the issue before us today.

You will recall that QLG bill passed the House of Representatives by a vote of 428 to 1. It then passed the Senate and is now being reviewed by Forest Service under their Draft Environmental Impact Statement. Currently, the DEIS and the QLG bill is under attack by Sierra Club. Not because it is a bad bill, but because the Club has adopted a platform to stop the harvest of *all* trees on National Forest lands. In fact the Herger-Feinstein QLG Act is a very balanced approach to forest management.

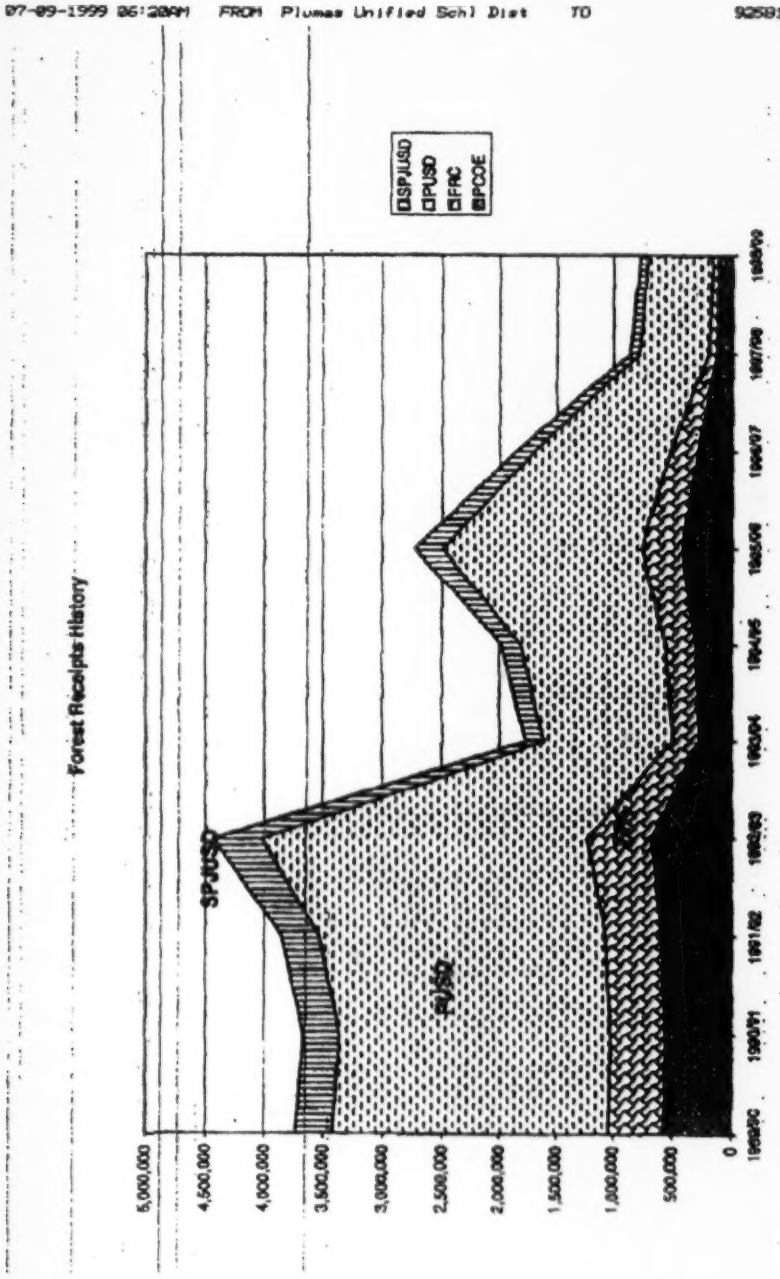
With the chair's permission, I would like to submit a copy of an eight page article in the July 1999 Smithsonian—A Town Buries The Axe. It emphasizes the balanced management approach which you all embraced and the need to protect against catastrophic fires through cooperative land management. Author Edwin Kiester Jr. spent considerable time touring the Plumas, Lassen and portion of the Tahoe National Forests to develop an understanding of why management of our natural resources are necessary and how the Quincy Library Group (QLG) turned controversy into consensus. The Quincy Library Group learned the lesson of "fuel ladders" and the need to thin the overstocked forest stands. The author notes that the Cottonwood fire which broke out in July of 1994, "... represented a major shift in QLG strategy." "The fire broke out in the undergrowth and quickly jumped to the crowns of the pines, swept from treetop to treetop and soon became an inferno." The fire burned 47,000 acres, almost consumed the town of Loyalton and cost the state and Federal Governments $12 million before it was contained. The QLG decided that the chance of this catastrophe could have been reduced by thinning of the forests.

I enter this article into the record because it displays the fact that the QLG Bill is the potential long-term solution to the problems which I have reviewed above. It is a solution that has been approved by Congress and now awaits the implementation of the adaptive management process that can be fine-tuned and used in many other areas of our nation.

The Smithsonian article quoted Bill Coates, a past Plumas County Supervisor and one of the originators of the QLG as a closing to Kiester's article: "America needs its Rural America. You can't live in Ohio and visit Plumas unless there's a hospital there, unless there's law enforcement, unless there are roads to drive on. You have to have local infrastructure, so that if they get hurt we can treat them, it they get lost we can find them. To keep that fabric together, the people of the town have to unite, to work together, to put aside their differences for the good of the town and the good of everyone."

Chairman Chenoweth and honorable Committee members, that is the essence of the reason why I am before you today. We are not asking for hand-outs, or entitlements. We are asking for the opportunity to unite, work together, put aside our differences and develop a solution. If rural communities are to continue to serve our nation, there must be more consideration of the resources which they are willing and able to provide and there is a need to fulfill the promises of our Federal Government to pay it's fair share for maintaining our county schools and roads.

To that end, we will thank you for support of H.R. 2389.


Forest Receipts History
SPJUSD
PJUSD
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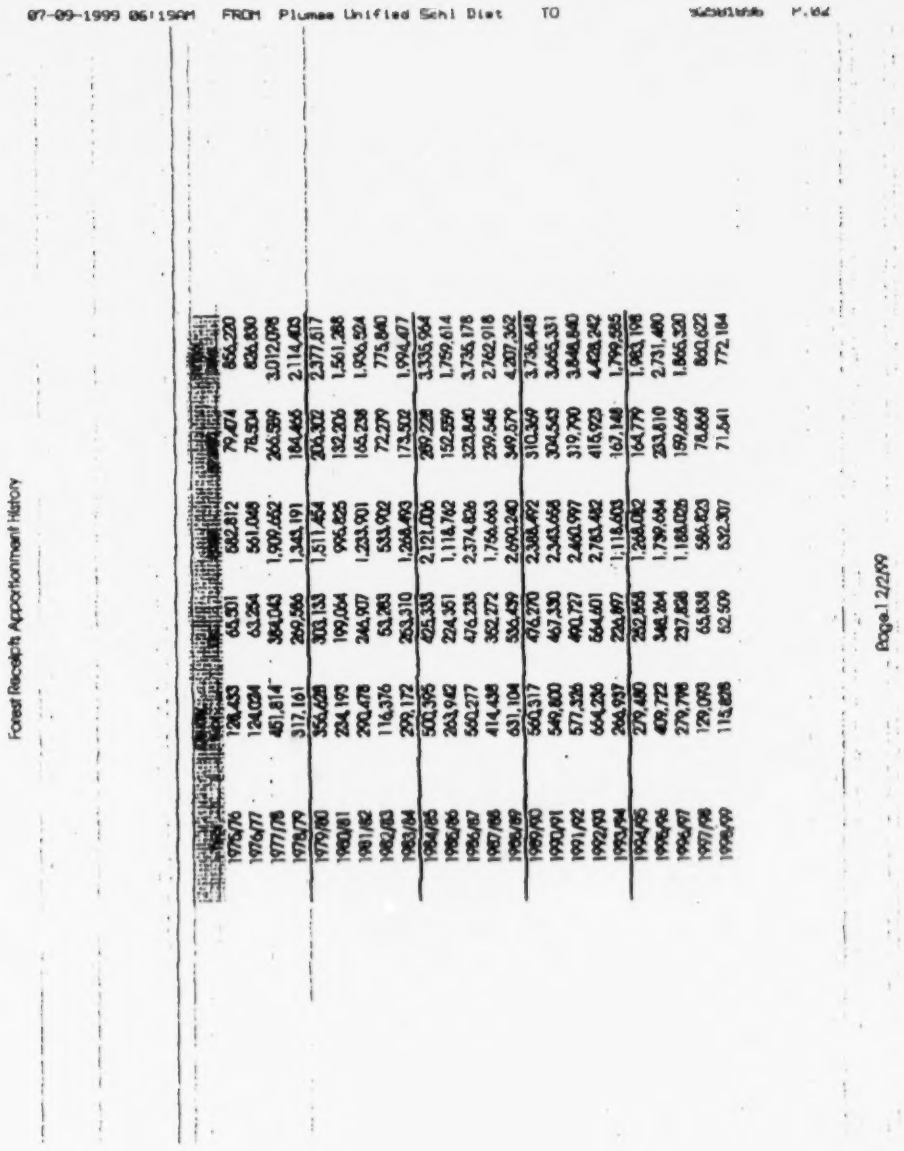

Forest Receipts Apportionment History

1975/76	128,433	65,501	682,812	79,474	206,302	856,220	
1976/77	124,094	63,254	561,048	76,504	132,206	826,530	
1977/78	461,814	384,043	1,900,662	266,589	165,238	3,012,096	
1978/79	312,161	269,566	1,343,191	184,465	173,502	2,114,403	
1979/80	355,228	303,133	1,511,454	206,302	289,228	2,377,817	
1980/81	234,193	199,064	996,825	132,206	152,559	1,561,288	
1981/82	290,478	246,907	1,233,901	165,238	323,840	1,936,524	
1982/83	116,376	53,283	533,902	72,279	239,546	775,840	
1983/84	299,172	253,310	1,266,493	173,502	349,579	1,994,407	
1984/85	503,395	425,333	2,121,006	289,228	310,359	3,335,564	
1985/86	283,942	224,351	1,118,762	152,559	304,543	1,759,614	
1986/87	560,277	476,235	2,374,826	323,840	319,700	3,736,178	
1987/88	414,436	352,272	1,756,663	239,546	415,923	2,762,918	
1988/89	631,104	536,459	2,690,240	349,579	167,148	4,207,382	
1989/90	560,317	476,270	2,388,492	310,359	304,543	3,736,449	
1990/91	549,800	467,330	2,343,668	304,543	319,700	3,665,331	
1991/92	577,326	490,727	2,460,997	319,700	415,923	3,848,840	
1992/93	664,236	564,601	2,783,482	415,923	167,148	4,428,242	
1993/94	266,937	226,897	1,118,603	167,148	164,779	1,799,585	
1994/95	279,480	237,558	1,266,062	164,779	253,810	1,983,198	
1995/96	409,722	348,264	1,739,684	253,810	159,659	2,731,490	
1996/97	279,798	237,828	1,188,026	159,659	78,668	1,865,320	
1997/98	129,093	65,838	566,823	78,668	71,641	860,622	
1998/99	115,828	82,509	632,307	71,641		772,184	

Page 1 2/2/99

Mr. HILL. Thank you. The Chair will now recognize Members on each side alternating when they appeared before the Committee. Mr. Sherwood, you are recognized.

Mr. SHERWOOD. Thank you, Mr. Chairman. Mr. Spain, what would you think if we had a program where we were going to absolutely stop all salmon fishing for the foreseeable future?

Mr. SPAIN. That is, in fact, the case in the Coho Fishery right now and in the case of the majority of the salmon fisheries on the West Coast.

Mr. SHERWOOD. So we are never going to fish for salmon again?

Mr. SPAIN. Right now they are closed for conservation reasons, and that is because otherwise they are not sustainable in the long run. Also we have to deal with the habitat issues in the forests which are driving some of the declines.

Mr. SHERWOOD. If we just decided that we would abandon that resource for all time, that would be a great waste. Just like it would be a great waste to have zero cut on our national forests. We need to manage the system, and I think it is incumbent upon us here—I mean, we are going down the road and getting tacks in our tires and we are trying to determine whether to use red or blue patches.

We have to decide how to get the tacks off the road. I think we have lost our will to manage. I think it is partially the Congress's fault; but we have great national resources and there are people saying don't destroy our communities. We can subsidize them or help them prosper. I think there are some very important issues here. You are looking at it from your point, you want us to not silt up the rivers and destroy your salmon, and you are dead right. We should not do that. We should not rape our forests and silt our streams, but we can't become hostage to the zero cut crazies. We need the will to manage the system. It is entrusted to us.

Now, Mr. Dombeck, could you help me. Let's go back to the southern forest, the Apalachicola. Were those figures that were given to us anywhere near or reasonably correct?

Mr. DOMBECK. Well, I haven't seen the source, but I presume so, yes. Let's——

Mr. SHERWOOD. Do you know why then, I mean in that forest, that's not a—that is—that is a very different situation than the West Coast. Why do you think that we are not harvesting timber there?

Mr. DOMBECK. Well, we are harvesting timber there, but the balance is significantly different than it was 10 or 15 years ago, and the issues driving some of the southern forests, of course, are the red-cockaded woodpecker. In fact, there was significant progress, I think, made there if we take a look at the fact of what happened in the Pacific Northwest, where we basically had the timber programs completely enjoined, virtually zero; what was worked out in the southeast was compacts with the industry, with the various agencies involved, and there are, you know, the Fish and Wildlife Service, the Forest Service, to arrive at that particular harvest level without injunctions from the court system.

So in one sense, that is a success, although there is still debate over the harvest levels, and I presume that will continue.

Mr. SHERWOOD. So you have cut the harvest levels because you are afraid of court action, because of the red-cockaded woodpecker?

Mr. DOMBECK. I——

Mr. SHERWOOD. There has been no court action to my knowledge.

Mr. DOMBECK. I would say what we did is, we worked with the regulatory agencies and the community of interest to arrive at a management program prior to—before they hit the courts, yes. I think it is in the best interest of all of us to work together in that manner because one of the things we know that the amount of money that we spend in the court system really doesn't benefit the land, and the more that we can focus the energy in areas of agreement, the better our chances of success and, I think, building trust are.

Mr. SHERWOOD. But—I certainly agree with that statement. But I think—I don't think we have looked at the waste in the system, the waste in the salmon industry, because we did things wrong in the past, and the waste in the timber industry now because we are letting them become overmature and rot and fall down and letting the communities that derive their income from that part of the country wither and die. And then we have proposals where we will support them with tax money. They don't want to be supported with tax money. They want an industry; they want their community to thrive. And I think we are a little bit on the wrong track.

And I think because of specific instances, we have—we have lost our will to fight a little bit. And I look at the Allegheny National Forest in Pennsylvania, and now I have seen today that the Apalachicola might be a good example. What—how does this Forest Service make the decision in the Apalachicola, for instance, whether or not to have sales? I mean, what specific criteria?

Mr. DOMBECK. There is a forest planning process, a land allocation process, and then as projects are implemented, throughout the process there is public input; and the environmental work, the appropriate NEPA work that is required to arrive at a record of decision. And then as with all—with virtually all programs there is an appeals process where citizens want to have the right to question decisions that are made by public servants, by government officials; and in many cases, question they do.

In fact, with regard to your point about the will to fight, the Forest Service spends about $5 million a year in appeals and about $5 million a year in litigation just in the management costs and gathering the data. That is not even the legal costs that might, you know, transcend the Department of Justice or Office of General Counsel. So there is plenty of give and take at the public meeting level and all throughout the system.

Mr. SHERWOOD. But am I to take it that it is cheaper to let the forest rot than it is to fight the legal battles?

Mr. DOMBECK. You know, I think what is at the heart of the timber debate—and this has been going on for a long time; it transcends administrations, it transcends Congresses and chiefs and directors of BLM and all the agencies involved, and that is that if we start looking at the desired future condition, what do we want the forest to look like? What do we want the stand densities to be, the make-up? I have yet to find anybody that is in favor of soil erosion, that is in favor of siltation of streams. We want healthy for-

ests and we want to be able to reap the benefits of those forests for local communities.

I believe we will stay in this debate and our successors will be in this debate unless we move beyond the intense competition that we have and focus on what it is that we want on the land. You know, we have got the best science in the world in the United States; we ought to be applying that. And we have got tremendous opportunities, I think, in the benefits that we derive from all of our public lands.

Mr. SHERWOOD. Maybe some of that science should be put to work to see if harvest hurts the red-cockaded woodpecker.

Mr. DOMBECK. In fact, I have to tell you one of the places I have been where I see both industry and the Sierra Club standing together is also in Florida where they are both supporting small clear-cuts for scrub jay habitat. They are doing prescribed fire, industries reaping the benefits of wood fiber there. But the fact is they are focused on common goals that embody what they want the land to be like and what they expect from it.

I think that as long as we look at a watershed and focus on board-feet, the debate will remain here. If we focus on the desired future condition, the benefits that we get from the land will flow in a sustainable way.

Mr. SHERWOOD. Thank you.

Mr. HILL. The gentleman's time has expired.

I would just remind all members that we are under the 5-minute rule, and I recognize Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman. We will do a second round if we each so wish. Great.

Mr. HILL. Certainly.

Mr. DEFAZIO. Chief Dombeck, a couple questions. I mean, what is there under current law that would require the President to submit or propose guaranties or extensions to counties? Is there anything that requires the President to put that in his budget?

Mr. DOMBECK. The two or three things that led to that, not that I am aware of with regard to——

Mr. DEFAZIO. No. I mean, is there anything—I mean, he proposed a guarantee, extending a permanent guarantee to all counties. That is correct.

Mr. DOMBECK. If you take a look at the slope on that curve and then you assume that if we didn't have the safety net, in western Oregon that slope would be significantly lower than it is, or higher in the negative sense.

Mr. DEFAZIO. What I am trying to get at is that the proposal by the President—which some people object to because of the decoupling, but in any case it was a proposal to provide revenues to counties and it is something that the President does not have to submit as part of his budget. There is nothing that requires him to submit it as part of his budget.

Mr. DOMBECK. That is correct. I think the common goal that we share, that we discussed here, is stability, is predictability, is providing a source of funding so that the superintendent of the schools, the county commissioners and others in charge of social services that communities need have some predictability in providing these services.

And I, for one, as well as in the view of the Secretary in the administration, we are very solidly behind the commitment that the Federal Government ought to be paying its way for these lands that belong to all the people of the United States even though the times change and the values and the public uses of these lands change over time.

Mr. DEFAZIO. You used the words "strongly opposed" to the county schools coalition legislation. What—I know that the administration has an arcane process and sometimes the President does and doesn't do what he says he is going to do in terms of vetoing things; I remember the salvage rider. But absent that, what would you recommend since you can only really answer for yourself to the Secretary and or the President? Should that bill be passed as currently introduced?

Mr. DOMBECK. I would—my personal recommendation to the Secretary would be to veto it for a couple of reasons. Number one is that we have a complexity of planning process mechanisms now, and many Members of Congress are concerned about the confusion that is already there. This adds another layer of confusion.

The other part that I am concerned about is the fact that tightening the link of any single use to important social services would only exacerbate the debate, because it will further polarize the issues. Because if we take a look at the benefits of national forests today compared to 1908: In 1908 we were focused on restoration of the Appalachian Mountains of the northeast; the Allegheny National Forest was nothing in 1908 like it is today; the Chequamegon National Forest where I grew up in northern Wisconsin again was in tough shape compared to what it is today. The values were different.

In fact, today if we look at the values, the contributions to the gross domestic product of the national forests, we find that about 75 percent of that comes from recreation to people, hunting, fishing, hiking, biking, outfitters and guides, the whole array of uses out there that are increasing at a significant rate that were not there at the turn of the century. And so what we see is, we see, you know, the wildlife values at about 9 percent, the mineral values contribute about 7 percent, and the timber values contribute about 3.7 percent. So in one sense, why don't we look at the broader array of values?

Mr. DEFAZIO. Chief, who sets forest policy? Do you set forest policy?

Mr. DOMBECK. Well, my job is to implement the legislation passed by Congress and signed by the President.

Mr. DEFAZIO. Do you feel that you have, you know, done something to change forest policy in terms of the current levels of harvest; or have court precedents and other, you know, litigation things led to you know a change in forest planning?

Mr. DOMBECK. I would say the key changes have really been a result of the combination of legislation that we have to implement and developing case law.

Mr. DEFAZIO. Okay. Which goes back to the point I made with Mr. Boyd, which was that I think the responsibility rests here to have the debate over forest policy.

Mr. Douglas, I read your resume, which is impressive, but of the 25 years in schools where were you in 1983, where were you working then?

Mr. DOUGLAS. I was working for the Plumas Unified School District.

Mr. DEFAZIO. So you were in northern California. What happened to timber revenues in 1983 in Plumas County?

Mr. DOUGLAS. They were, as I recall, declining.

Mr. DEFAZIO. Pretty dramatically, as I recall.

Mr. DOUGLAS. Yeah, there was a national recession.

Mr. DEFAZIO. And I am about to run out of time, so I will use my second round of questions, but I mean, let me then conclude with the point that I was a county commissioner, elected in 1982 in Lane County and took office in 1983. And Lane County at that point had laid off one-third of its work force and the remaining two-thirds were working four days a week, and not because of Federal dictates in forest policy, but because of being linked to forest revenues which were in the tank at that point in time, from the most productive forest in the United States, which was the Willamette—so, you know, I am—and my time is up and I will be good here, Mr. Chairman. I will just end with that statement. I will get a second round. Thank you, Mr. Chairman.

Mr. HILL. Thank the gentleman very much.

The Chair recognizes Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

Mr. Douglas, I got here late and you may have mentioned this, but what percentage of your home county is owned by the Federal Government?

Mr. DOUGLAS. About 52 percent.

Mr. DUNCAN. I just spent part of last week driving through northern California, and it seemed like I would drive from a national forest into a national park into a State park. How much of your county is owned by the State or local governments? Do you know that?

Mr. DOUGLAS. Off the top of my head, I don't know that. I do know the Federal Government owns about 52 percent of it.

Mr. DUNCAN. And as you are—this is—we are hearing entirely from witnesses from the West. Is this—but there are eastern counties involved in this problem as well. I know this—are you—is your group made up of counties in the east as well or——

Mr. DOUGLAS. We have county representatives and school district representatives and business and industry representatives from 35 States now, including almost all of the States of the West, half the States in the Southwest, States in the north central part, Wisconsin area. Certainly in the East where there are national forests we do have members, and we have members in the South.

Almost every region of the United States where we have national forests are now represented in our coalition, Congressman.

Mr. DUNCAN. Mr. Dennison, how much of your county is in Federal ownership?

Mr. DENNISON. Ours is 73 percent.

Mr. DUNCAN. Do you happen to know how much is in State or county government ownership?

Mr. DENNISON. It is a small percentage, but the 73 percent certainly has a great impact on us.

Mr. DUNCAN. You know, nationwide, we have about—almost a third of the land in Federal ownership, and then another 20 percent in State, local and quasi-governmental ownership. So we have a little over half the land all over the Nation, and it has been growing by leaps and bounds over the last 30 or 40 years. And I think at some point we need to recognize that private property has been one of the real basic elements of our prosperity.

In fact, probably your counties would be much better off if we could get some of that land into private ownership. I don't guess that is possible, but you really would boom if you could.

In fact, I was real interested, I read last week or week before last a column in the Washington Times by former Governor Dupont of Delaware, who said that—in his column, he said people don't realize, because we are all clustering together because everybody wants to be near the malls and the movie theaters and the restaurants that only 5 percent of the land in this country is developed and three-fourths of the population lives on 3.5 percent of the land. And I mean, we all look at these maps of the United States on one little page in a book, and we think this country is much smaller than it really is. I can tell you that driving through northern California for a couple days last week I am not worried about the redwoods. I think I saw millions of them.

Mr. DENNISON. May I respond, Congressman? We have a considerable amount of private timberland in the north State, as well. They have very strident, stringent force practice rules. But I can assure you that the practices there, even though they are meeting good environmental standards, are harvesting much more timber than our Forest Service. The policies are what are bothering us right now as much as the legislation, self-imposed policies waiting for something to happen.

Mr. DUNCAN. Well, you know, the staff had told us a few months ago that—I think it was in 1980 or so that sometime in the 1980s we passed what was then seen as an environmental law to reduce the cutting in the national forest to 80 percent of the new growth or maybe it was 85 percent of the new growth. And today we are cutting, they tell me, less than one-seventh of the new growth in the national forest each year.

And, you know, it just seems, if we are going to have healthy forests, we have got to cut a few trees; and if we are going to have houses and magazines and books and a lot of other things that make up a good quality of life, we have got to cut a few trees. Yet they are, as Mr. Sherwood said, referred to as "these crazies" who don't want anybody to cut anything.

But I still say that this country would be far better off if we had less land in public ownership and more land in private ownership, so that your counties such as you represent would be much stronger economically.

Thank you, Mr. Chairman.

Mr. HILL. I thank the gentleman.

Chief Dombeck, you made a comment, I think, with regard to the situation in Florida, I think with the woodpecker, that there were

common goals, industry groups and other groups and as a consequence of that that they were getting on the same page.

The coalition proposes to accomplish the following things: one, to have stable economies; two, to have a stable source of revenues for their counties and schools and to have sustainable forests and sustainable communities.

Is there anything about those goals that you disagree with?

Mr. DOMBECK. No.

Mr. HILL. I think you have to be impressed that this is a pretty broad coalition of people, diverse group of people, broad interests. Really, I am incredibly impressed with it. Do you think that these communities should have—who are affected by this policy should have some input into helping design the solution?

Mr. DOMBECK. Definitely.

Mr. HILL. I presume, then, that the administration proposal is one that you recommended to the administration?

Mr. DOMBECK. It was the result of a fair amount of dialogue.

Mr. HILL. You helped develop that?

Mr. DOMBECK. Yes.

Mr. HILL. Which of the coalition members and counties that are part of this coalition did you consult in the development of that policy?

Mr. DOMBECK. Let me ask Sandra Key, who was involved firsthand in much of that.

Ms. KEY. To answer your question, I was involved in the development of the proposal, and we went forward with it last year, not seeking a sponsor and working very closely with the NACO county associations, telling them what we were doing, telling them this is what we wanted, recognizing that they were going to be a big part of what this Congress chose to do about payments to States.

This year we came back, modified our proposal in some ways that we felt were more acceptable then, recognizing it still was not everything that they wanted. And at every step along the way, we have provided and communicated with them and tried to be as open and direct with the counties as we could be. And you could perhaps ask them how they feel about that.

Mr. HILL. Well, I think maybe we will.

Mr. Dennison, do you have any response to that? Were you consulted?

Mr. DENNISON. I agree with Mrs. Key that they have told us what they are doing, and we have disagreed with what they are doing. And I think that is a fair statement.

Mr. HILL. You weren't asked for your advice.

Mr. DENNISON. We gave it any way. And I think their view was to seek our advice. But the big stumbling block, Mr. Chairman, is the fact that theirs hinges on decoupling, hinges on a way of changing business as usual. We are trying to develop a coalition that will tell us how it can be done better. That is why we think what you did already sets that balance for us that we can work from the bottom up. And we saw the administration's proposal as definitely a top down.

Mr. HILL. In your view, Mr. Dennison, is there anything in the administration's proposal—it obviously stabilizes funding for local

government schools, but does it do anything to build more stable economies in your communities?

Mr. DENNISON. No, not at all, because you can't separate the system. There is a system that is out there working. And as I quoted from Mr. Coates, you can't have one without the other; you need the roads to get there. And again, we believe that—we believe the administration, the Forest Service and Mr. DeFazio have the same goals, but we just disagree on the way to get there.

Mr. HILL. There is no long-term solution?

Mr. DENNISON. The long-term solution has to be there. We already went through the northern owl proposal that went on and on and on.

What I said a moment ago, just waiting for something to happen, we can't wait for it to happen. Five years is plenty long term to wait for it to happen. We can work within that system with the Forest Service and with others to get that developed on the ground. And again, I want to emphasize that the Quincy Library Group Adaptive Management Pilot Program is a start. We would like to utilize that.

Mr. HILL. Going on, Mr. Dombeck, do you know whether or not the administration requested full funding of the PILT program in its budget this year?

Mr. DOMBECK. I really—I don't know the answer to that. That would come from—I believe from the Secretary of Interior, but it is something we can sure check on.

Mr. HILL. Would it surprise you if I told you they didn't?

Mr. DOMBECK. No, not at all.

Mr. HILL. One of the questions I have is, obviously you object to the county coalition bill, and I think one of your objections is that the offset of funds comes from within your budget, your agency budget. I would understand why you would be concerned with that.

Where would the offset come for your proposal, for the administration's proposal? Where would the funding come from for the payments to the counties?

Mr. DOMBECK. The pay-go difference is about $27 million a year. We would——

Mr. HILL. Are you proposing that it be offset from your budget?

Mr. DOMBECK. From general revenues and——

Mr. HILL. From Social Security surplus?

One of the concerns I have is the impact of the forest management on poverty levels, and particularly in Montana. I just want to make reference to some statistics because they are startling, Mr. Secretary.

The unemployment levels and poverty levels in some of the counties in Montana, for example, Lincoln, Montana, which is, as you know, Lincoln County, a timber-dependent community, 13.1 percent unemployment; Mineral County, 10.8; Sanders, 10.6; Granite, 9.0; Flathead, 7.9; Ravalli, 7.1.

But even more startling are the poverty levels that are in these counties: Sanders County, 20.6 percent; Mineral County, 20; Powell County, 19.6; Granite County, 19.4; Lincoln County, 18.3; Missoula County, 16.3; Ravalli County 16.0; Flathead County, 14.4. The President, I think, just toured some areas where we have high unemployment, substantial poverty.

Do those statistics trouble you, that level of poverty in those timber dependent communities?

Mr. DOMBECK. Yes, they do. In fact, the county I grew up is in—is—although in a different part of the country, the Upper Midwest is very similar in makeup to many of the counties in your State.

Mr. HILL. What is the administration's proposal to diminish the poverty in those counties?

Mr. DOMBECK. I did not come here prepared to talk about all of the social programs that are out there, but what I would say in response to that is, the key thing that we need to do is settle down the debate. Because the fact is that much of where we are today is a result of public questioning, policies, court injunctions, and those kinds of things that we deal with as, you know, we administer the laws and work through what we are required to do with regard to the evolution of case law.

Mr. HILL. In your exchange with Mr. DeFazio you made reference to the fact that Congress sets the policy and you implement the policy. You have been forest chief two years now?

Mr. DOMBECK. Yes.

Mr. HILL. During those 2 years has the Forest Service met its ASQ's?

Mr. DOMBECK. From the forest plans?

Mr. HILL. No, from Congress, the numbers that the Congress recommended.

Mr. DOMBECK. I believe reasonably close to what has been put up. But the fact is that all of the timber sales that we put up are not sold. Right now we have got about 5.8 billion board-feet under contract, and an operator typically has a 3-year period where they take a look at the broader economic conditions to make a determination as to whether or not they would harvest.

Mr. HILL. If I told you you were substantially lower than what the ASQ's were, would that surprise you?

Mr. DOMBECK. No. I guess I would say to differentiate that from the amount offered versus what is actually sold.

Mr. HILL. One last point. We had a hearing a couple weeks ago with regard to the fire catastrophe issue in the forest. I believe the Forest Service asked the administration for $100 million in the budget for dealing with the catastrophic fire issue and the administration proposed $65 million. Do those numbers seem correct to you?

Mr. DOMBECK. I would assume they are reasonably close.

Mr. HILL. And GAO has suggested that you need $740 million a year. Are you familiar with that?

Mr. DOMBECK. I like that number.

Mr. HILL. Would you—would it be your conclusion that $65 million is under funding the amount necessary to deal with the catastrophic fire?

Mr. DOMBECK. Yes. In fact, as we deal with the funding issues, you know, there is—there isn't a single forest supervisor or program manager that will tell me that they have enough money for their program. And the thing, of course, that we struggle with is balance, just as I know Congress struggles within the budget caps as you look at, the various demands and how you balance allocation of the resources you have.

Mr. HILL. My point simply is, this is a way to help timber-dependent communities if we fully funded plus also deal with the fire risk.

One last question for you, Chief, and that is this: I think you can tell from this hearing, and I think you know full well that a pure decoupling bill isn't going to pass the Congress. I think you are probably aware of the fact that we are not going to pass a bill to increase timber harvest as well. Recognizing the fact that we have got to get together, and this coalition is a sincere effort to try to address that from the bottom up, are you willing to give your commitment to this Committee that you will work with us to try to find a compromise and some middle ground on this issue?

Mr. DOMBECK. We will. In fact, as I look at the goals—I have listened to the other witnesses here. And, Congressman Boyd, I think you know we have got—really have got much more in common than we have—than we have differences.

Mr. HILL. We will then go to another round of questioning.

I guess Mr. Schaffer, you are recognized.

Mr. SCHAFFER. Thank you, Mr. Chairman. I also have questions for Mr. Dombeck.

In your testimony—I am sorry I was not here to hear it, but I was able to review it—you said that "Over the past 10 years timber harvest in the National Forest declined 70 percent in response to new scientific information, changing social values and our evolving understanding of how to manage sustainable ecosystems."

First, what new scientific information are you referring to?

Mr. DOMBECK. Well, I think one of the things we do have in the United States is the best science and technology in the world as we take a look at the various concerns. But if we take a look at issues, as Mr. Spain talked about, with regard to salmon fisheries, with sedimentation, with items like that, I think we are, you know, we are moving away from the era of large clear-cuts to more selective management.

I was down in Arizona not long ago on the Apache-Sitgreaves National Forest where they are talking about concepts of forests to deal with fire risk, and in that situation, they are harvesting virtually everything below 16 inches to reduce the fuel. They are marketing wood down to about 5 inches, utilizing other—the remainder for fire wood and other uses like that, and very selectively harvesting some of the larger trees as we try to move toward a more healthy condition with the appropriate stand densities and items like that.

So the breadth—my point is the breadth of the science that we have out there is expanding significantly and continues to expand. For example, in the State of Idaho where, you know, we now have Western white pine disease resistant strains developing, so we are working on reforesting parts of the northern Rockies with white pine.

We have got—white bark pine is another species that is important to grizzlies.

We have the long leaf pine in the Southeast that we are reforesting much of that, but only about 3 percent of the original long leaf remain.

I think if we take a look at the Allegheny with the quality of cherry that we have on Allegheny today is some of the best quality hardwood in the world. You know, we didn't have that 50 years ago.

Another important area of research that we shouldn't forget about when we talk about local communities is to do as much value-added work in those local communities as we possibly can, and that is—a lot of work has been done to increase the efficiency of use of wood that is out there through the particle board technologies, the resin technologies, the work that is done by our own forest products——

Mr. SCHAFFER. So you are persuaded that all of this scientific information, the things that you mentioned, is what has resulted in this 70 percent reduction?

Mr. DOMBECK. No, not at all. That is part of it. Much of it is——

Mr. SCHAFFER. The General Accounting Office study said that their 40 million acres of forestland are at high risk of catastrophic wild fire. What role did that kind of scientific information play in your opinion?

Mr. DOMBECK. Well, we are very, very concerned about the fact that there is 40 million acres at risk. And we need to make investments to reduce the fuel loadings to apply whatever science is appropriate for whatever watershed to deal with that issue. And I think there is lots of agreement in this room that we need to get on with that and make those investments.

Mr. SCHAFFER. Would it be possible for you to elaborate on that further, in writing perhaps, as to what kind—as far as that particular statement that was made in your opening comments about the scientific information that has helped result in a 70 percent reduction in timber harvest in the United States, which ultimately led to the financial problem that we are trying to deal with today.

Mr. DOMBECK. I would also like to highlight that a large part of that was also a result of litigation.

Mr. SCHAFFER. You also mentioned social values. What kind of social values led to the 70 percent reduction in timber harvest?

Mr. DOMBECK. The tremendous increasing recreation use that we see on national forests. The increasing concern of water and watershed values. We have got 3,400 municipal watersheds within the national forest that provide drinking water to about 60 million people. All of those values, cultural values, archeological values, a wide variety. And I would also be happy to elaborate on that in writing in more detail because that is a topic that we could talk about here until dark and beyond.

Mr. SCHAFFER. Does the Forest Service use sound scientific practices or opinions, as defined by social pressures or social type issues?

Mr. DOMBECK. One of the things that came out of the debate in the Pacific Northwest and the owl issue that I know Mr. DeFazio is well aware of, as well as the people at the table here, is watershed analysis procedures that take a look at the overall function of watersheds, watershed management, ways to reduce sedimentation, increase function of riparian areas, again, the contribution that roads make and the condition of roads, the need to maintain roads to a particular standard to reduce or prevent sedimentation,

road crossings. Again, it is a very complex issue with lots of pieces involved.

Mr. SCHAFFER. I have one more question. I am trying to beat that yellow light there. That is with respect to the Department's proposal on the Stabilization Act of 1999, the second point that you mentioned in your testimony, is to provide increased payments above the payments projected under the current law to compensate States for national forest lands that are not available to the local tax base.

Is that increase in payments, is that—is there a figure laid out for that over the long term? Because with the projected decline in fund payments of a 25 percent fund, you are proposing to do better than the declining number there. Or is there a stabilized expenditure that you have in mind that would actually increase something on the order of—I don't know, even keeping pace with inflation, I suppose.

Mr. DOMBECK. The proposal is to stabilize it at $270 million. Which is about——

Mr. SCHAFFER. That is the light blue line.

Mr. DOMBECK. Which is about $27 million more than 1998, nationally.

Mr. SCHAFFER. Thank you, Mr. Chairman.

Mr. HILL. I thank the gentleman.

Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman. I was pleased to hear the Chairman engage the Chief in some dialogue about potential for working together and compromise, because I believe we—you know, the utmost importance that we get a guarantee, whether it is 5-year, 10-year or permanent, at least an extension out of this Congress, preferably more than 5 years.

And going to the issue of 5 years, Mr. Douglas, I am curious why the coalition chose this 5-year figure for the guarantee. And I go to your testimony and you say, "We strongly believe these recommendations can and should be formulated in the first 3 years of the safety net." okay. That is, you know, not unreasonable, that a group of people could get together and come up with some recommendations, which of course are not binding.

But then it says, "It is further our belief that these recommendations should be enacted into law within 2 years of their receipt by Congress."

Have you been watching this body lately? I mean, no offense, we should——

Mr. DOUGLAS. My expectations irrespective of the past performance.

Mr. DEFAZIO. Really, a point to that is the 5 years as a potential problem. I think it may be partially the perspective of counties that don't have guarantees now who are going to be ahead during the 5 years and counties that do have guarantees now who are looking at a cliff. That is part of the difference I think of perspective. From my counties, we are looking at the cliff and we have been the most public timber dependent historically in the past.

The other thing I raise a question about is why you would take the money—I know the chairman went to the issue here, we funded the guarantee by finding a tax break that was used by log ex-

porters and rescinding that tax break, the current guarantee. And as I understand that has now gone back into place.

So I think there are some interesting places we could look for revenue offsets to meet the chairman's concern that it doesn't come out of Social Security, which I share. But to take it out of Forest Service budget—and I will ask you a question in a second, but let me give you my perspective—I don't think Forest Service has enough money today to do what we are asking them to do.

You know, the surveys that the Chief referred to not only go to streams, down to class three, but they also go to wildlife that only shows up or is detectable at certain times of the year in terms of mating. And that—I really find that, in part, the frustration the chairman and others had about the implementation of the Clinton forest plan has gone to the fact that they haven't been able to complete all these surveys.

I really don't think we should look at cutting their budget to fund guarantees to counties. I would hope this would be an area where we might seek some compromise if we could find another revenue source. Is that possible, do you think?

Mr. DOUGLAS. I think we have several possibilities here. First of all—we believe that the bill, first of all, doesn't say that the Forest Service has to cut their budget. The bill says the revenues can come out of appropriations and can come out of revenues. Now, if one assumes that revenues are a fixed pie and we can't do anything about that, then that leads us to severe encroachment, in some people's minds, on the Forest Service's budget. With respect to that, you have a $3.4 billion agency; and our costs for doing this above the current owl payments are about $200 million or so.

We don't see this as a sizable encroachment upon this agency's ability to manage, especially when you take into account the fact that they have at their disposal a renewable resource that needs considerable work. And some of that is fuel reduction, a substantial fuel reduction all across the United States.

The last time I testified before this Committee, I held up the map that is behind me—and I know you are familiar with it, so I won't do it again—that has—in addition to this 40 million acres that we have talked about being catastrophic fire danger, we are proposing that that number of acres the Forest Service itself has will be suffering greatly from trees dying, the total amount being 58 million acres. We believe if we just do the appropriate forest health management and fuel reduction work in the near term that that does not have to be the kind of encroachment on the Forest Service's budget that would happen if we do nothing.

So I think we do have some compromise points, Congressman, that we can certainly work on.

Mr. DEFAZIO. Thank you, Mr. Douglas, on that point. I guess now I am running out of time, but I just want to make a point here I made to my counties, I made to NACO. I was a county commissioner; I served on the NACO National Resources Committee when I was a county commissioner. Judge Dale White from Oregon, from the other side of the aisle, was a tremendous chairman of that committee and, you know, has recently retired after many years of service.

But I have to tell you we did not drive Federal forest policy. All the resolutions and all the things we adopted, you know, had this much impact on Federal forest policy. The counties, the schools together are not going to drive Federal forest policy. I think it is a divisible question. We can and will have the debate ongoing over Federal forest policy in this Committee and maybe on the floor of the House for years to come. But I just want to urge everybody, you know, for the sake of the counties and the services and the schools and the kids to keep their eye on the money and be flexible in how we go forward and get a bill adopted this year. Because I think if we go into the presidential election year, we are not going to get a bill. And then we are that much closer for my county, the precipice, and two more years into lack of resources in your county.

So thank you, Mr. Chairman.

Mr. HILL. I thank the gentleman.

Mr. Sherwood.

Mr. SHERWOOD. Thank you. This weekend I was reading "Breaking New Ground," Gifford Pinchot's book, and we seem to talk here as if the science of good forestry management is something new. He went to Europe to learn it in the last century, and then came back and set up the original BL forestry school in Milford, Pennsylvania. And he talks with great zeal in there about the perfectly managed European forests and how they had communities that depended on them and created this sustainable resource.

So, this, while we are—somebody said, We wish it was as easy as rocket science. It is a moving target. It is more difficult. It is not exactly new. And we have all these timber companies in the country that manage forests and make money at it. And the United States owns these huge reserves. And I think that is what the people from the forest counties are here telling us, that if we, through national policy, would direct the Forest Service to run those like a business, there would be money to go around.

Now, we have more problems than that, right, Mr. Dombeck?

Mr. DOMBECK. I have got all I can handle right now, but, yes, there is lots of debate over the issue.

Mr. SHERWOOD. Would you say—what would be your comment, what has the endangered—what has been the result on the health of our national forests on the endangered species laws?

Mr. DOMBECK. Of course, it has added much to our work load with regard to the surveys, the compliances that are required and all of those kinds of things that we do with regard to unit costs for operation, as have legislation like the Historic Preservation Act and other kinds of things. But I would just reaffirm that the larger objective of this is to maintain the integrity of the watersheds of the habitats and the forest health. And I have stated my opposition many times to zero cut.

The fact is, we do need to do work out there. But I want to also point out, in many cases, much of the 40 million acres at risk that we talk about, the values are not there to carry the cost to management because the overstory has been removed some time ago, and we have—through total fire suppression, we have got, you know, high fuel build-ups and we result in the whole debate of low cost timber sales which, you know, in my view we should—we ought to focus on what we want on the land rather than—because if the val-

ues aren't there, that doesn't mean that we should let the forest health conditions continue to persist.

Mr. SHERWOOD. I certainly agree with that. But it would seem like the money that is realized from selling very valuable stands could be used to used to do timber stand improvement work in ones where you need to reduce the fuel load.

A comment that you made and I am looking at my—we are talking about water quality? And do you agree that well-managed forests and water quality go hand and hand?

Mr. DOMBECK. Exactly. In fact, the cleanest water in the United States is coming off of our forests.

Mr. SHERWOOD. Sure. And you know the big water companies in the East have huge timber holdings because that is how it works. But you were talking about—did you say in Arizona where you are cutting everything 16 inches and under?

Mr. DOMBECK. That is, project pilots that are being tried. There are a lot of different things that are being tried around the country. I think one thing as we continue the dialogue here in Washington, I always feel the more we can get out in the woods and the forests and look at things, the more we will arrive at an agreement as to what management should be. Because it really focuses individuals on the land and what we want on the land versus, you know, an economic debate or a debate about education in the sense of how we fund education which is part of what we are talking about here.

Mr. SHERWOOD. I understand you are thinking about decoupling it. But our opposition to decoupling it is, then it takes away the pressure to manage the resource. And it also takes away the incentive to keep these gentlemen's communities viable and working. And we just send them a check and forget about them. Well, that is not what they want and that won't work well in the long run. And I don't know how we get to the issue where we can get your foresters back to doing what they do best, managing forests. And I think that is the dialogue we have got to have.

Mr. DOMBECK. I would like to just do, while we are sort of philosophizing, is make a couple of points.

If we take a look at the public domain lands over the history of the United States where we started out with 1.8 billion acres outside of the 13 colonies—and that includes Alaska, the Gadsden Purchase and so on—and this land was used for a variety of things over time; you know, for example, if you would have been a lieutenant general in the War of 1812 and you retired from service you wouldn't have got a monthly check, you would have received 1,100 acres of land. If you were a private, you would have gotten 160 acres of land. So the land, in essence, was the wealth of the Nation. We didn't have to have an income tax. We went through the homestead era and then again the establishment of the national parks, some of the watershed problems that led to the establishment of the national forests that led to the Taylor Grazing Act.

The values of what the public cherishes, national forests and public lands today, you know, are well beyond what they were, say, at the turn of the century. And again my point is if the contribution of national forest to the gross domestic product is something in the neighborhood of $123 billion a year, that comes from a vari-

ety of areas—you know, recreation, hunting and fishing opportunities, value added in local communities, hotels, vacations.

We have got 3,000, you know, mining operations on national forests. We have got, you know, as I said, 5.8 billion board-feet of timber under contract today. Wouldn't it seem that we should look more broadly as we look into the 21st century rather than stay tied to the controversy that we are subjected to as—I can give you another example.

In my first 3 months in this job we have about $26 million worth of timber sale enjoined in Texas. Well, imagine, there sits the school system in five counties, I believe it was, with $5 million they are not going to get. And it is not my decision. It is not the decision of Congress, or the administration's decision. It is the judicial process and the litigation and the controversy associated with these issues that holds these social services subject to this uncertainty.

And how do we get beyond that? Do we get beyond it by tying ourselves more to the controversy? Or do we look for more common ground in the broader values? I think, in fact, this is a very good dialogue for us to be having here as we work our way through what the best opportunities for solutions are.

Mr. SHERWOOD. Just one.

Mr. HILL. One last question.

Mr. SHERWOOD. But it seems obvious to me if the people who live in those areas had faith, that that would work for them, they would just say, send us a check. But I think they have more faith in free enterprise and old-time values, so to speak, and they want us to keep the pressure on the system. And my short experience around here would say that we need to keep the pressure on the system.

Mr. HILL. I thank the gentleman for the comment.

Just following on, Chief Dombeck, we do need to get beyond the controversy. But Congress created this maze of conflicting instructions and values and Congress can straighten that out. I mean, Congress can move this from the judiciary by clarifying what its intention is.

Now, the problem is that Congress isn't necessarily of a single mind in how it might want to get that done. But let's talk about that for a minute, because there is a model out here, the Quincy project.

Now, originally the Forest Service didn't support Quincy legislation, and then later did support it. I think it passed by an overwhelming margin. One of the things that the coalition's bill intends to do is to try to bring that model to the long-term solution of how we manage the resource. Why do you object to that?

Mr. DOMBECK. I guess I am not sure what specific parts, you know, of the model you are talking to. We are working diligently to implement the Quincy Library Legislation through the process. And, you know, as I understand it, our employees in California are making good progress at that.

Mr. HILL. I am talking about taking the concepts that are imbedded in Quincy, getting a broad spectrum of people, this broad coalition of 500 groups, counties and interests together to help recommend to the Congress and to you a long-term solution to the

controversy associated with the management of the forest. What is wrong with that?

Mr. DOMBECK. I don't think there is anything wrong with that. In fact, I think that is what we are doing right here in this process. And as I see it, the goals that we have identified here, there is a lot more agreement than there are differences.

Mr. HILL. So you don't object to that element of the coalition's bill that would create an advisory group to study this issue and make recommendations to you and to the Congress in terms of how we can address this conflict in values with regard to the forest management?

Mr. DOMBECK. My understanding—and I will ask Sandra for some help here, is that advisory group also makes, in a sense, resource management decisions.

Mr. HILL. It makes recommendations. It doesn't make any decisions in the bill.

Mr. DOMBECK. Okay, makes recommendations. And given the complexity of issues and laws that we have to deal with today, is one more layer going to make it easier for us? Is there anything on the detail?

Mr. HILL. So the question, now, I am asking you, do you object to that or do you support that? It is one or the other. Do you support that provision of the bill or do you object to that provision of the bill?

Mr. DOMBECK. I object to it as I understand it to be now. But I am certainly willing to take a second look to talk about—look and see where the middle ground is from the stand point of how we implement it.

Mr. HILL. Mr. DeFazio's comments were, we can compromise on this if we just give up the long-term solution. These communities want to have forest management in a way that sustains the forest, sustains the health of the forest, and sustains their economies. Your recommendation doesn't do that nor does Mr. DeFazio's bill. It continues the controversial conflict-based process we have today. We are trying to find a way out of that.

We are saying that the Quincy model is a model that we could draw upon to help the Forest Service get through this. The question is, do you support the idea of using that model for a broader discussion than just the issues that were addressed in the Quincy project?

Mr. DOMBECK. I certainly support looking at it. As I see the things that are happening around the country, there are—I think for us to look at the array of models that are out there and to pick the best from each, I think is a very wise thing to do.

Mr. HILL. So you could support then an advisory group that would operate under that kind of a scenario to make recommendations to you and to the Congress for a long-term solution; is that what you are saying?

Mr. DOMBECK. Certainly in concept. But again, as I see it——

Mr. HILL. You know, we will talk about that, just a concept. We are trying to get to common agreement here. If we could get that far, it would be great.

Mr. Douglas, you brought together a diverse group of people. It is an impressive group. How did you get that done?

Mr. DOUGLAS. We essentially sponsored a couple of national conferences, our school coalition in California, the 39 counties, because we had this basic hypothesis that there were a lot of people like us across the Nation who were struggling with this issue, both county and school people. The hypothesis proved to be very true. And in fact, as people have gotten to know about our coalition, they have flocked to become a part of it.

When I appeared before you a little over a month ago, we had 386 members. We have over 500 now. We are not having to convince people from forest counties—both school people, county supervisors, people from chambers of commerce, people from business, people from labor—we are not having to convince people to do this. This is, very frankly, Mr. Chairman, the easiest sell that I have ever had.

Mr. HILL. This issue goes beyond just payments, it goes beyond just schools?

Mr. DOUGLAS. Yes, it does.

Mr. HILL. Do you want to elaborate on that?

Mr. DOUGLAS. I did in my written testimony, and I touched on it in my oral testimony. The coalition strongly believes that both the short-term solution, the infrastructure piece, needs to be taken care of immediately because of the serious needs and the fact that we have gone a decade in these communities with the deterioration happening that has. There is substantial and serious needs.

There is also a high level of eroded trust in forest counties, both in county governments and the citizens of forest counties relative to the faith that people in Washington and the Federal agencies will truly do something about this. The idea of accepting the decoupling proposal and separating forest management issues from the support of schools and county government is not something that people in our coalition have a high level of trust in. One of the reasons that we set up the proposal the way that we did was to rebuild that trust. And I would emphasize what Bill Dennison has indicated here, one of the ways of doing that is through local management collaboratives such as the Quincy Library Group.

We also believe that having a focused, over the next 3 to 5 years, discussion looking at the best science, looking at what we have learned in terms of working together to find the middle ground that is scientifically based and good management; we believe in strong forest health is the way to do this. And we think that both of those have to be part of the solution.

As I mentioned before, this is a systemic problem that we are a complex social and ecological system in our forest counties. You cannot tease that apart and try to solve one piece of it without taking on the entire system. It is a systems issue from our point of view. You can do that in logic, in sound bites, and on paper; but in reality, you can't solve a piece of the system. You have to do it in a wholistic systems kind of way, and that is the reason that we have proposed what we have.

We don't propose to have the solution to the long-term. There are those saying that the forest coalition is advocating to returning to the highest levels of cuts of the late eighties. You will not see that in any of the material we put out. We believe in having healthy, sustainable, national forests. We live there, and we want them

there. And we believe that can be done. We believe also revenue can be generated from those forests and that we can have stable communities, healthy national forests, and we can have healthy and vital families living in those communities that we as educators have to work with to provide services to. Those are inextricably entwined.

Mr. HILL. That is why you oppose decoupling?

Mr. DOUGLAS. That is correct.

Mr. HILL. Mr. Dennison, do you care to comment on that?

Mr. DENNISON. I would agree with everything that Mr. Douglas said. We want to move forward and work with the administration, we can do the job that will be economically and environmentally sound, and we all can win.

Mr. HILL. This is not about going back to the 1980 timber-harvest levels or clear-cutting forests.

Mr. DENNISON. Not at all. The chief talked we will never get back to the 11 billion board-feet again. We may not, but we should do much better if we just take care of what is happening out there. We are at 3.4 billion board-feet or so now. There is no reason to expect that we should not be able to double that and do it within a sound environmental context.

Mr. HILL. I guess one last question. Chief Dombeck, on your 25 percent fund-payment trend projecting forward to the years 2000 through 2004, you suggest a 25 percent reduction in harvest. Should I read into this that we are going to see a further 25 percent reduction in harvest on the Forest Service lands over the next 4 years? Is that what your plan is?

Mr. DOMBECK. That is our projection based on the issues that we have to deal with. The issues like, for example, the potential listing of the Canada lynx, other kinds of things that we see, other fisheries that are at risk, other things like that.

Mr. HILL. Do you find that acceptable that we are going to see a further 25 percent reduction in timber harvest? Is that compatible with what you think that we ought to be accomplishing?

Mr. DOMBECK. Again to rely on the inventory and analysis, the forest risk mapping that we have done, I think provides us more and better information to do that. But we really need to let watershed by watershed, timber stand by timber stand tell us what the harvest levels should be.

Mr. HILL. I am not disagreeing with that. Do you believe that that level is a satisfactory—is this created by external causes or is this a consequence of the internal policy, the decisions of the administration and implementation of policy?

Mr. DOMBECK. Let me ask Sandra to elaborate on this since she was involved in putting this together.

Ms. KEY. It is interesting that you ask this because this is one of the things that several have said, why these trends and where are they coming from?

Yes, we think there are many things going on in terms of these large ecological issues that we are dealing with. But the estimates are a combination of our experts, if you will, looking at market trends, what species are selling, what the prices are that they will get, and what our budgets are going to be with as much accuracy

as we can predict them and what that will do to our timber program.

Mr. HILL. Do you think this is good?

Ms. KEY. Do I think it is good or Chief Dombeck?

Mr. HILL. Chief Dombeck, are you satisfied that these are satisfactory levels?

Mr. DOMBECK. Not necessarily.

Mr. HILL. It is kind of a fudge?

Mr. DOMBECK. For me to say a yes or no, what I have got to do is rely on the science and the experts as we blend the needs of local communities with the best information that we have.

Mr. HILL. Obviously the Forest Service sets timber sales which are interrupted by court decisions. My question is are these declining harvests a consequence of external factors or internal decisions on the part of the Forest Service?

Mr. DOMBECK. Based upon Sandra's comments, likely a combination of both.

Mr. HILL. Okay. Mr. Schaffer, I think you wanted a second round of questions.

Mr. SCHAFFER. Thank you, Mr. Chairman. I had some other things that I wanted to ask, but you really put your finger on some interesting topics. I just want to continue on with that. This is a frustrating conversation frankly because I understand the Endangered Species Act and management practices. They come up in—I am sorry, I missed your name.

Ms. KEY. Sandra Key.

Mr. SCHAFFER. As Ms. Key indicated, the marketability of certain species and what the market bears. But the answer to that question that the Chairman just asked, is this satisfactory and is it moving in the right direction, I can't accept the head of the Forest Service saying gee, that is just kind of the way that it is.

You know, this is a time when we really need some passionate leadership out of the Forest Service in helping to direct the direction of our country and send the message up the chain and to the administration as to which direction we ought to go.

I would really hope, my goodness, you have one of the greatest national assets that our country possesses in terms of a resource and a resource base. You have probably some of the most enthusiastic energy that you have among local elected officials. And it seems like everything is there to make for an economically viable operation that maintains and sustains the health of our national forests but at the same time increases the ability for us to see real progress on clean water and at the same time increases the revenue necessary to, as a result of that relationship and the energy at the local level, to find more cash for schools.

I am curious, the other committee meeting I am missing right now is the other committee I serve on, which is the Education Committee where we scratch our heads every day wondering how we are going to get more dollars to classrooms. And the great debates between the executive branch and the legislative branch about how to get more dollars to classrooms, hiring a hundred thousand new teachers, where does the Forest Service come in these discussions? Do you get calls from the White House that say

how can you help us squeeze more dollars out of your particular agency to help in this problem?

Mr. DOMBECK. With the education issue?

Mr. SCHAFFER. Yes.

Mr. DOMBECK. I don't get calls from the White House asking about that, but we have had hearings on the Youth Conservation Corps programs and other things like that which contribute to understanding of that. And, of course, our employees do a lot with regard to presentations at local school districts and a variety of programs like that.

The one thing that I do want to comment on with regard to the question of the graph and then the timber harvest, part of the problem is that we are just focused on one resource. If we take a look at the recreation trends and the other use trends on the national forests, they are all up. As I said to begin with, I think where we are as a society, is we are taking a look at a different balance and there is debate involved in how we achieve that different balance.

Timber harvest is a very, very important part of that. But I find it fascinating that as we take a look at 1.7 million vehicles on Forest Service roads associated with tourism and recreation, I ask myself, why is it that we are just talking about timber? Timber is important, but how is it that we capture the other values that are out there as society looks at them.

Mr. SCHAFFER. Have there been any proposals from the Forest Service on how they can achieve their goals and do so in a way that helps maintain a traditional level of funding that we have built into school budgets and county budgets for years?

Mr. DOMBECK. I think if we look at the variety of things that are on the—proposed through the appropriations process where we look at soil and water programs, recreation programs, at maintaining the infrastructure at national forests, we are making significant investments in forest health issues, and we are looking at a variety of pilot projects. There is an awful lot of work that needs to be done in your State with regard to forest health. We are looking at investments in wood technologies to provide markets for lower value woods to secondary markets. The value added, a variety of things.

Mr. SCHAFFER. I think we are moving off the subject here a little bit, and that is you have greater amounts of recreation in national forests and other activities which represent some level of value that is taking place. Has tapping into that economic enterprise or portion of the national forest revenue for the benefit of school districts and forest counties been a part of your proposal? Has there been some effort on behalf of the Forest Service to include using that economic engine to help?

Mr. DOMBECK. I think what we do by proposing a stable level, a mandatory level that—that spreads the source.

Mr. SCHAFFER. But those funds are not derived exclusively from the management of forests. It comes from seniors and kids through the general fund budget. That is the problem here. This decoupling effort is not a good idea.

I think what we are hearing from local governments is that maintaining this close relationship between active management and sound management for economic and environmental objectives,

utilizing the expertise of those who live in these areas, is a better formula. It is one that helps bridge this span between Washington, DC and Oregon or California or Colorado.

What I see is these folks to your left trying to maintain that relationship, and I see you trying to suggest, let's separate the economic benefits from the economic activity and fund it through the general fund budget. I think they are right.

Mr. DOMBECK. And I appreciate your judgment on that.

Mr. SCHAFFER. I wish you would appreciate their judgment, too.

Mr. DOMBECK. We do, and the reason we are here is to continue the dialogue.

I do want to respond to another one of your points and that is what are we doing with the 40 million acres. The fact is we are on a trend to have that taken care of by 2015, and by the year 2003 we hope to be treating 3 million acres a year as we begin to work down that backlog. So there is a—significant progress has been made. We have a lot more to do. There is a plan and an approach. We bring that to Congress each year for you to fund.

Mr. HILL. The gentleman's time has expired. I think this has been a very interesting hearing.

First of all, Chief Dombeck, I don't think anybody here disagrees with the fact that we understand that there is a different balance. We want an ecological and economic balance as well. I think if you have read any of this testimony, everybody here agrees with that, and nobody here believes that the only purpose of the forest is for timber harvest. I don't think that anybody has made that claim or that case.

We care deeply about the forest, every bit as much as anybody in the Forest Service does. We also value the tourism and the recreational opportunities, both in terms of those personal experiences as well as the economic aspects of those. That is why we have talked to you about road closures and our conflict about a top-down transportation policy of the administration. And there are other values, motorized vehicle use and berry picking and hunting and all of the things that we have been here to advocate for.

So I don't think that anybody here in this hearing room disagrees with you about that. I think that managing the catastrophic fire risk is one way to help strengthen the economies of those communities. But I will tell you what the GAO testified to a couple of weeks ago is that you don't even have a team in place or a leader to develop a strategy for dealing with this risk.

Thirty-nine million acres are at risk. You won't even begin to address that risk by the year 2025 unless you ask for substantially more funds than you are asking for now. You are treating more acres, but you are treating the acres that really don't count. The at-risk acres are being neglected by the Forest Service, and that is supported by the internal documentation of the Forest Service.

The one thing that I think has come out of this hearing, we need to find a safety net for these counties. We need to find a revenue source, and we have to agree to a term.

Decoupling is not going to happen, Chief Dombeck. It is not going to pass this Congress so we have to set that aside and figure out how to deal with this issue. We need a long-term solution to diminish these external factors that are driving your decision-making

process, and we need a collaborative policy and effort to help try to improve how we deal with this issue and you do.

I hope that you can come away from this hearing having heard that and we can work together to draft legislation to help these counties and these communities.

With that, the hearing is adjourned.

[Whereupon, at 4:50 p.m., the Subcommittee was adjourned.]

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